

City Auditor's Office

Yvonne M. Taylor, CPA, MA
City Auditor
City of Clearwater, Florida

City of Clearwater City Manager
City of Clearwater Assistant City Manager
City of Clearwater Attorney
City of Clearwater Parks & Recreation Director
City of Clearwater Parks & Recreation Deputy Director
City of Clearwater Parks & Recreation Assistant Director

Special Events Audit – June 2, 2018 Co-Sponsored Event (Ruth Eckerd Hall)

September 6, 2019 – Report Date

/s/Yvonne M. Taylor, CPA, MA

City Auditor

City of Clearwater Parks & Recreation Department – Special Events Audit

Executive Summary

The City of Clearwater Parks and Recreation Department manages three divisions (Administration, Recreation Programming, and Parks & Beautification) with multiple programs under each, one of which includes the Special Events Program/Operations (“Special Events”) within Recreation Programming. The primary objective of the Parks and Recreation Department (“Department”, “Parks and Rec” or P&R)/Recreation Programming Division is to provide recreational activities (extensive festivals, activities and special events) to residents and visitors of Clearwater. This requires expertise in event management such as venue preparation, sound and lighting, food and beverage operations, equipment and entertainment contracts.

The audit was performed in response to a request from the City Manager’s Office, the objectives of which were to determine the (1) overall state of the Special Events Division Fund 181, Special Programs Fund, for concerts and events: the effectiveness and results of the Special Events program and the extent to which it achieves its goals and objectives (costs and resources used to achieve program results); (2) existence, sufficiency and soundness of the Parks and Recreation’s internal controls and related procedures over cash receipts and disbursements (monitor, control, and accounting); (3) accuracy, completeness and validity of financial transactions relating to special events; (4) compliance with provisions of all contracts related to the June 2, 2018 John Fogerty/ZZ-Top concert reported; and (5) compliance with City Ordinances, City Council and other relevant City policies and procedures, and Best Practice.

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS or Yellow Book) issued by the U.S. Government Accountability Office Comptroller General of the United States, generally accepted accounting principles (GAAP), City Ordinances, City policies and procedures, and best practices as they relate to Special Events. The Yellow Book standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, rules, regulations, contracts, and policies and procedures. Internal control comprises the plans, methods, policies and procedures used to fulfill the mission, strategic plan, goals and objectives of the entity. The internal control environment set by management establishes the procedures that support the assessment of risk, which is measured by likelihood (of occurrence), (magnitude of) impact and nature (of deficiency). Control procedures are specific and necessary measures or processes designed to either prevent, or detect and correct an unfavorable event or transaction from occurring at the time of initial occurrence or quickly after the initial processing has occurred, respectively, with some serving both purposes. Control procedures are also designed to provide reasonable assurance of achieving effective and efficient operations, or reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. They ensure management’s directives to mitigate risks are carried out.

The objectives of internal control include ensuring transactions are (1) properly recorded and accounted for to permit the preparation of reliable financial statements and external reports; accountability over assets are maintained and compliance with laws and regulations are demonstrated; and (2) executed in compliance with (a) known laws and regulations or those that can be identified; and (b) organizational policies and provisions of contracts or agreements that could have a direct and material effect on the organization. Internal control objectives are also

relevant when determining the cause of unsatisfactory program performance. The City Auditor's Office focused on existing controls and procedures within the Parks and Recreation Department to ensure funds, property and other assets are safeguarded against loss from unauthorized use or disposition, and noted areas warranting improvement.

The City Auditor's Office assessed Clearwater's Parks and Recreation Department's internal controls over cash and management of the Special Events Fund 181 and related contracts as ineffective and inadequate. No sound oversight controls exist within the Parks and Recreation Department to ensure accountability. Several findings were identified demonstrating the internal control weaknesses and recommendations were made to address and strengthen the control environment. Management expressed its willingness and has taken the initiative to address noted opportunities for improvement. Some weaknesses can be immediately rectified, and corrective actions developed after a thorough review is conducted.

The key internal risks recognized include the loss or misappropriation of cash and improper payments, accounting and recording of special events-related activities due to non or diminished compliance, past faulty practice or lax attitudes in and insufficient understanding of the management of special events, absolute lack of oversight, ineffective controls over cash and contracts management functions, expenses incurred without prior written approval, and the absence of a reliable and accurate reporting system to track receipts and expenses of all special events. External risks include economic factors, diminished reputation, erosion of stakeholders' expectations and public confidence in the integrity of the system/organization.

City of Clearwater Parks & Recreation Department – Special Events Audit

Table of Contents

	Page
Background Information	2
Objectives	3
Scope and Methodology	4
Overall Evaluation	5
Overall Conclusion	6
Findings & Recommendations (F&R) *	7
Parks and Recreation Management's Overall Responses to Audit Findings	52
City Auditor's Comments on Management Overall Responses	55
Appendices	A-Series

* Note: Specific details to Audit recommendations may also be reflected in the appropriate Appendix.

City of Clearwater Parks & Recreation Department – Special Events Audit

Background Information

Special Events operation (the “Program” or “Operation”) is a unit of the City of Clearwater Parks & Recreation Department/Recreation Programming Division responsible for offering a variety of resources for concerts, festivals, weddings, races, other activities and celebrations that contribute cultural, social and economic value to the City’s communities. Organizations and individuals must obtain permission from the Special Events Committee to hold concerts, parades, sporting activities, arts and crafts show through the City’s Special Events Application and Approval process. Each year, Special Events processes over 150 events applications, which include hosted and sponsored/co-sponsored special events.

During the budget process in March of each year, City Council (Council) reviews City-sponsored and co-sponsored events to approve and accept activities and the proposed allocation of funds from General Fund and Enterprise Fund departments to Special Events for inclusion in designated departments’ budgets for the subsequent fiscal year. Pursuant to City Council Policy 2-21, Special Events Fee, an activity or event is considered funded only after Council ‘passes’ it as part of the approved budget. For fiscal year 2018, Special Events supported over 300 events (hosted: 297; sponsored: 40; and co-sponsored: 27), and approximately \$1.0M in program expenditures were allocated, of which approximately \$600,000 represented cash and in-kind services for anticipated special events and activities.

Co-sponsorships are intended to promote and produce several annual events with other groups to share in the costs and benefits of putting on large events, with co-sponsorship levels varying from event to event. Applications for any level of City co-sponsorship of a special event must be filed with the City Manager between January 1st and November 1st for events slated to occur the following fiscal year beginning October 1st, in accordance with Article III – Special Events of the City Code of Ordinances, Division 2 (2)(b). In addition, Division 2 (4) of said Article warrants *“The [co-sponsor] applicant shall agree to a full and accurate post event report and submit . . . within 30 days subsequent to the event. Failure to comply with this requirement [or other requirements specified in the prior co-sponsorship agreement] may jeopardize approval of future special event applications from the applicant, including revocation or reduction in City co-sponsorship support for future occurrences of an event, as stipulated by City Ordinance.”*

Annual fully-sponsored, co-sponsored and hosted festivals and concerts include, but are not limited to, the following:

1. Clearwater Jazz Holiday Festival – co-sponsored (in conjunction with Clearwater Jazz Force)
2. Hispanic Heritage Concert (HHC) – fully-sponsored
3. Clearwater Celebrates America – fully-sponsored free concert
4. Wild Splash Concert – hosted/private
5. Clearwater Sea Blues (CSB) festival. Marketed through various media/marketing vehicles, including ‘Blues’ magazines – fully-sponsored
6. Bay to Beach Music & Arts Festival – debuted during April 2018 – fully-sponsored
7. Other concert series held at Coachman Park, including the 2018 John Fogerty/ZZ-Top concert

City of Clearwater Parks & Recreation Department – Special Events Audit

Concession/booth rentals and beverage sales are handled by Special Events; ticket sales are handled by the City/Special Events and E-Tix, the City's authorized ticket outlet, and Max!ma 92.5 FM for the HHC event. Food concessionaires are required to complete and return the Special Events "Food Vendor Application" package containing the (a) cover sheet denoting the number of spaces requested, type of booth space and the fee determined by Special Events personnel at the time of request; (b) application; (c) payment method form; and (d) operations agreement together with the fee.

Promoters for the Wild Splash concert pay all costs, including renting the venue and retaining the revenue from ticket sales. The City/Special Events secures the rights to revenues from all concessions and is responsible for handling all ticketing activities (collecting and remitting the net proceeds (gross receipts less agreed-upon charges/fees due to the City) to the promoters at the end of the event).

The audit report reflects the results of the audit of a City co-sponsored event, which was partnered with Ruth Eckerd Hall (REH) 'Partner' to promote the John Fogerty/ZZ-Top concert held on June 2, 2018 at Coachman Park. Existing internal controls relating to cash handling processes were significant aspects of the audit. This included cash receipts, cash disbursements, change funds used to facilitate the opening of the day's event, and reimbursement activities to and from REH.

Objectives

As cash and cash equivalents are high-risk assets vulnerable to misappropriation, sound cash control and careful oversight of cash receipts and disbursements must be in place to reduce the opportunity for theft and to ensure employees' compliance. The objectives of the cash process, manual or automated, are to ensure assets are properly safeguarded, and prevent and detect errors and fraud. They are achieved when receipts and disbursements are appropriately handled, secured and recorded.

The overall objective of the Special Events Audit was to assess the general condition of Fund 181, Special Revenue Fund/Special Program Fund, established to operate concerts and events. The specific objectives of the Fogerty/ZZ-Top audit were to determine:

- Existence and evaluate the sufficiency of internal controls over cash and cash equivalents.
- Accuracy, validity and completeness of cash transactions and the results of all special events.
- Effectiveness of contract management and compliance with associated provisions.
- Compliance with relevant City Ordinances, City Council policies, City and departmental cash control policies and procedures, generally accepted accounting principles and best practice related to proper handling and safeguarding of cash and cash equivalents.
- Levels of authorization for special events and if appropriate with the associated risk levels.

City of Clearwater Parks & Recreation Department – Special Events Audit

Scope and Methodology

The scope of the audit was limited to the Special Events Fund 181, with focus on the procedures employed for the John Fogerty/ZZ-Top concert. The nature and scope were intended to provide objective and relevant assurance, and contribute to the effectiveness and efficiency of governance, risk management and control processes of the Department's practices.

- Cash receipts (from event goers)
- Reimbursements (to and from the City)
- Cash disbursements
- Recording and reporting
- Contract management and compliance
- Adherence to City policies and procedures, and Best Practice

To achieve the audit objectives, the following methodology was employed:

- Obtained an understanding of the Special Events Fund 181 and the existing cash handling processes relating to Special Events.
- Reviewed Article III – Special Events, Divisions 1 & 2 of the City Code of Ordinances.
- Reviewed current City and Parks & Recreation's cash control policies and procedures (City Accounts Payable (*Policy #4001*) and Cash Collection (*Policy #4007.1*); and P&R's Cash Collection (Administrative Policy #16-13002), effective October 1, 2016), City Council Policies, and other relevant special events supporting documents (Special Events' Walkthrough procedures, Comptrolling Guide and related financial activities).
- Interviewed key P&R and Special Events' personnel involved in the cash handling and administration processes.
- Reviewed all contracts and other event-related agreements specific to the June 2, 2018 Fogerty/ZZ-Top event, and Council Agenda Requests and Approvals.

City of Clearwater Parks & Recreation Department – Special Events Audit

Overall Evaluation

The following table summarizes the Findings within this report.

Finding	Description	Page Ref.
1	Inappropriately bound City in contractual agreement(s) prior to City Council's consent and City Legal's review and approval for appropriateness	7
2	Lack of contract management and non-compliance with contract provisions – Overpaid on co-sponsored agreement	14
3	Lack of reliable and accurate reporting system to track receipts and expenditures of special events	22
4	Lack of or inadequate supporting documents	27
5	Poor or lack of oversight of Special Events' activities	37
6	Non-compliance with established City Ordinances and City policies and procedures	42
7	Lack of proper segregation of duties	47
8	Inadequate safeguarding of City funds and other receipts for deposit	49

The City Auditor's Office extends its appreciation to management and staff of Clearwater Parks & Recreation Department, Special Events Division, for their cooperation and assistance during the audit.

City of Clearwater Parks & Recreation Department – Special Events Audit

Overall Conclusion

Based on the audit of the City of Clearwater Parks & Recreation Department Special Events Program, the City Auditor's Office assesses internal controls over Special Events as ineffective and inadequate. Opportunities to reduce risks associated with the City Parks and Recreation Department Special Events Program were identified through inclusion, augmentation, and implementation of strong oversight of effective internal controls that enhance and reiterate compliance with established City Code of Ordinances, City Council and City policies and procedures, and best practice. The opportunities for improvement are provided to strengthen the Department's internal control structure: control environment, risk assessment, control and monitoring activities, and information and communication, the overall intent of which is to improve management, bring about better decision-making and oversight, facilitate effective and efficient operations, and yield accountability and transparency.

City of Clearwater Parks & Recreation Department – Special Events Audit

Findings & Recommendations

Finding – 1

Inappropriately Bound City in Contractual Agreement(s) Prior To City Council's Consent and City Legal's Review and Approval For Appropriateness

During the audit, many common management practices were noted that compromised the Department's internal control structure, reduced or eliminated confidence in the validity of contracts and placed the City in disadvantageous contract positions. Specifically, Parks and Recreation's management:

1. Entered into an agreement with the co-sponsor, Ruth Eckerd Hall, prior to receiving approval from City Council and without obtaining prior legal reviews and approvals from City Legal for appropriateness. Pursuant to City Council Policy 2-21, "*Only after the item is passed as part of the approved budget is the item considered to be funded*".
 - a. Contract dated April 23, 2018.
 - b. Agenda item relating to said contract was presented to City Council on May 17, 2018 for Consent, 24-days *after* management executed the agreement, as a co-sponsored event with the understanding the City's performance guarantee would only be \$100,000. See 2.b., below.
 - c. The required 'witnessing' to the contract was not obtained.
2. Modified the unapproved corresponding addendum to the contract, which placed the City in a disadvantageous contract pricing position. The modified addendum:
 - a. Was incorrectly entitled "*Addendum to the Blues & Bayou Tour---ZZ Top & John Fogerty, June 2, 2018 Agreement . . .*". However, no such June 2, 2018 agreement existed.
 - b. Was executed the day of concert ("June 2, 2018"), but backdated and signed as though executed on the contract date (April 23, 2018).
 - c. Contained penciled-in edits that obscured the validity of the addendum and fulfilled promises to the co-sponsored partner(s) and artists which were unfavorable to the City: from \$100,000 or one-third to \$300,000 or 100%. P&R's management decision removed City's agreed-upon/expected right to recognize valid revenues from the event by improperly increasing the City's Performance Guarantee (PG) fee.

Pursuant to City Purchasing Manual, purchases of goods and services, including change orders, must be made in conformity with the procedures established by the City's Purchasing Manual. Specifically, any change in a contract price, scope of work following the award of a contract shall be in writing, approved by the City Council, and executed with the same formalities as the contract. . . any amount, including change orders, greater than \$50,000 must go through the proper channels, including City Finance Budget Office. Council's ratification and confirmation were required in

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 1 (*Continued*):

- light of the \$200,000 or 200% increase in the contract price.
- d. Contained inaccurate language pertaining to reimbursement due to the Partner, and Department management inappropriately affirmed its legitimacy.
 - i. Paragraph 1. of the “Addendum to the . . . June 2, 2018 Agreement . . .” noted “. . . *Remaining ticket revenue will belong to the City after \$100,000 is returned to the partner.*” Special Events manager stated the \$100,000 was due to REH “*upfronting the City for that amount as the City did not have that type of cash to begin with*”. Source of that information remains undetermined.
 - ii. Note the City satisfied its \$100,000 obligation on May 24, 2018 via two \$50,000 wire deposits made *directly* to the artists. Accordingly, the wire payments rendered management’s above-noted comment and the inserted language “*after \$100,000 is returned to the partner*” invalid. The City did not owe any additional Performance Guarantee, and the Addendum was crafted after the total \$100,000 payment was made.
 - 3. Absorbed and reimbursed, and agreed to pay and reimburse Partner(s) for additional expenses of the partner.
 - a. The Partners performed functions contrary to the executed co-sponsored agreement, and in other roles outside any executed agreement with the expectation of being compensated under the directive of management who deems its actions ‘appropriate’ to pay. This practice existed despite the contract clearly outlining the responsibilities of the co-sponsor and the City, and City Council’s and City Policies’ established mandates that are unsupportive of such non-best practice methods. See Finding-2, below, for more discussion.
 - 4. Fulfilled a *unilateral* agreement signed only by REH’s representative on behalf of the City between the City and one artist’s agent, then subsequently noted the agreement was, in fact, between the Partner and the artist and not with the City.
 - a. Reimbursed both artists for “Lift/VIP” proceeds (the excess ticket sales receipts over City’s expected sales) absent any agreement. See Finding-2, below, for more discussion.

Discussed the observations with the Special Events manager to determine the existence of and obtain finalized/clean copies of the contract and modified addendum, including whether they were reviewed and approved by City Legal for appropriateness. Audit was informed that the copies provided represent the ‘final’ agreements created by said manager and submitted to the Parks and Recreation Director for review and signature approval on behalf of the City. Per Special Events management, except in very rare instances, contracts generally are not submitted to City Legal for review and approval prior to an event as a standard response/contract template is used for all contract items pertaining to prior concerts.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 1 (*Continued*):

Parks and Recreation's Deputy Director stated that, specific to the REH agreement, contract provisions relating to prior concerts in which the City partnered with the co-sponsor were inadvertently unedited and thereby do not reflect management's intentions. Management further declared “*. . . while the contract reads that [the Partner] is to pay for certain costs, that was never the intent of the agreement. Proceeds from the event were meant to cover all of the costs for the event, including those incurred by [the Partner].*” Continuing with the same statement, “*. . . the intention was that the proceeds were to cover everyone's expenses and we would share in the profit or loss equally.*” Based upon the foregoing, the co-sponsorship agreement was a misnomer since management intended the event to be fully-sponsored by the City versus the co-sponsored event presented to City Council for approval.

The Special Events manager noted the initial intent of the performance was not for the City to make a huge profit, but to showcase the City as a place where top concerts are held, and after recognizing he had '*poorly written [the contract], and not wanting the Partner to lose due to his error or not do the show*', edits were made. Reimbursement was not requested '*in the spirit of things*' from the Partner for expenses paid by the City for City-services provided to REH, in accordance with provisions of the contract and addendum. Further, Department management stated it does not intend to request reimbursement for the co-sponsored partners' share of the total event's costs, including City-services provided, as it was the City's responsibility to pay those costs. Those costs were expected to be reflected on the required post-event Settlement as reimbursements to the City in accordance with the contract. Ultra vires contract.

Recommendation

Parks and Recreation's management is responsible for providing reliable, useful, and timely information for transparency and accountability of its Special Events program and its other operations to give assurance resources are managed appropriately, and its authority properly used and in compliance with laws and regulations. Management is also responsible for ensuring their objectives and desired outcomes are achieved, and City services are provided effectively, efficiently, economically and ethically. Through a combination of oral statements, unapproved modifications and committed City funds for those expenses, the Department's management placed the City under legal constraints which encumbered City's resources. Management-intended results were produced, but they were not consistent with City objectives. City Auditor assessed the extent to which City Council's and City goals and objectives were achieved, and noted the objective of '*putting on a performance/showcasing the City as a place where top concerts are held*' was met.

City Auditor recommends these current business practices be avoided and due care exercised by all employees when obligating City funds and other resources. Supplementary recommendations include:

1. Use City Legal in a consultative role prior to obligating the City in any contractual arrangement to identify potential problems and to obtain suggestions for avoiding challenges that could impose a legal obligation on the City. By not securing prior written legal review or doing so after the fact of executing a contract when a matter has surfaced, or as a last-

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 1 (*Continued*):

minute legal review can cost the City significantly due to not affording Legal ample time to effectively plan or manage the reviews.

Furthermore, any modification to a/the standard contract template should undergo prior written review and approval from City Legal regardless of the contract price to ensure the provisions are appropriate and in the best interest of the City.

2. Establish detailed authorization and approval controls to ensure proper operations' processes are maintained. Adjustments/modifications occurring just before, at, or just after significant dates warrant special enquiry to ensure they are valid and appropriate. See Appendix – A, “*Solicit Legal Review and Input*” for details to the noted recommendation.
3. Establish appropriate authority and responsibility limits. A misalignment between authority and responsibility, particularly in the absence of control activities and segregation of duties, may be problematic and lead to improprieties.
4. Review the reporting structure of the Special Events operations to optimize decision-making and oversight, and clearly define or redefine and effectively communicate best practices that help sustain cost-effective and preferred operations of the Special Events Program.
5. Ensure agreements, letters of understanding or other commitments between the City and any third-party are executed only by the City Manager or his designee, *in writing*, for specific contracts once Legal and all other appropriate reviews and approvals have been performed and consented to.

If the Department's executive management deems it appropriate to further designate its authority to another individual within the Department, then prior written approval should be obtained from the City Manager denoting the name of the individual, preferably the Deputy Director of Parks and Recreation, and attached to the corresponding agreement.

Management Response

Management acknowledges contracts were poorly written and additional review and scrutiny of the contract should have occurred before final approval of contract. Since a standard template contract was approved by City Council on April 16, 2015, additional legal or Council approval was not required at the time of this Agreement. In hindsight and moving forward, all agreements will be approved by legal and City Council for special events.

A special event partnership agreement is different than a cosponsored event which is approved by the City Council once a year. This concert was part of a series of concerts that REH and the City partnered in to understand what kind of arrangement worked best for the City and Partner. Expenses for all concerts were paid for from proceeds of the concert so neither partner would be exposed to unnecessary risk.

The addendum to the Blues & Bayou Tour ---- ZZ Top & John Fogerty, June 2, 2018 Agreement

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 1 (*Continued*):

was not a separate addendum to the Agreement but rather attached to the original Agreement and simply titled as such with the June 2, 2018 concert date. This is similar to a current agreement with addendum attached, that has been reviewed by legal and is going to the City Council on August 1, 2019 for approval for HHC 2019.

On page 9 of the audit where the Deputy Director is quoted as saying “*... the intention was that the proceeds were to cover everyone’s expenses and we would share in the profit or loss equally*” is incorrect. Deputy Director misspoke and later found out that once all expenses were paid, the City would realize all the profit or loss of the event and it would not be shared equally.

Unfortunately, the Agreement does not reflect the intentions by either the Partner nor the City in regard to this concert. Proceeds from the event were intended to cover all of the costs of the event regardless of who paid for them.

While the Special Events Manager should not have made separate pencil changes to the Agreement without getting proper approval, the changes reflected the intentions of both parties. This is supported by the fact that the Director of Parks and Recreation stated at the May 14, 2018 City Council Work Session that there were “three partners, AEG as well as REH, each are, if you will, putting up \$100,000 which will then come back to the vendor (partner) as well as (from) ticket sales revenue.”

This finding is accurate in that department management does not intend to request reimbursement from the Partners, as it was always intended that the City was responsible to pay for all the costs associated with the concert as the City was to reap all the profits from the concert.

Corrective Action Plan

- All future agreements and contracts as well as modifications to agreements with partners will be reviewed, approved, and signed off by the City’s Legal Department prior to seeking approval from the City Council. Note: Already in place.
- Will adhere to current City-wide legal review processes now in place, as well as any changes to city wide policies involving legal review. This is currently being done through the “Request for Legal Services Form”.
- While informal authority and responsibility limits are in place for agreements, a more formal SOP will be developed and adhered to no later than August 31, 2019.
- The organizational structure of the Special Events operations has been reviewed and modified in order to strengthen decision making and oversight for the division. Will be included in formal SOP to be developed by August 31, 2019.
- Currently the City Manager has designated the Director of Parks and Recreation to enter

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 1 (*Continued*):

into certain agreements. However, in the absence of the Director, we will seek approval from the City Manager to allow the Deputy Director to perform this task no later than August 31, 2019.

Target Completion Date

Target dates included in Corrective Action Plans

City Auditor's Comments on Management's Response(s)

1. Modifications to [City Legal approved] *standard* contract template should be subjected to prior written review and approval from City Legal to ensure they and the *standard* provisions are appropriate and in the best interest of the City. See City Auditor's 'Supplementary Recommendation' 1, above. As indicated in Finding 1, as well as throughout the Audit Report, City Legal and Council approval *were* necessary and required to prevent the noted occurrences from happening at the time of and subsequent to the execution of the Special Event Agreement effected without Council's knowledge and consent and City Legal's written review and approval for appropriateness. Consulting with City Legal and obtaining consent from Council prior to committing City Resources would have prevented noncompliance with City Council Policy and City Finance/Purchasing policy and procedures.
2. Parks and Recreation's management stated, "*a special event partnership agreement is different than a co-sponsored event which is approved by the City Council once a year*". Management did not indicate the difference. Regardless of any difference and pursuant to Section 4, Para. V, "Exemptions from Centralized Purchasing" of the City's Purchasing Manual and other relevant sections therein, ". . . purchases [of goods and services] shall be made in conformity with the procedures established by [the] manual, . . ." This includes contracts and changes [or change orders] to contracts to be effected in writing, require written consent from City Council and executed with the same established formalities as the contract.

In addition, management stated "*This concert was part of a series of concerts that REH and the City partnered in to understand what kind of arrangement worked best for the City and Partner.*" Written agreements, co-sponsorships or otherwise, are generally not entered into to understand what kind of agreement will work best for the parties. Furthermore, management affirmed it partnered with the Partner on many other special events over multiple years successfully. Based on such, there would be no need to enter into another special event partnership with the Partner ". . . *to understand what kind of arrangement worked best for the City and Partner*" after years of 'successful' collaboration.

A co-sponsorship is a "joint" effort between parties through a legally-binding document to share a mutual interest in a subject matter. A partnership is a 'two-way relationship' which has a 'two-way' feeling about it: each party gets the 'feeling' of receiving the most from the relationship knowing each has a role to play and a job to do to make the partnership work. Hence, no significant difference between the two types of agreements. It is a personal

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 1 (*Continued*):

choice of word usage that is used interchangeably for this type of endeavor with the key end result being the existence of a legally binding document with clearly stated expectations of all parties to the agreement. The ‘co-sponsorship/special events’ partnership document between the City/Parks and Recreation Special Events Program and REH outlined the mutual interests and responsibilities of the City and the Partner/REH before management’s after-the-fact penciled-in edits.

3. An addendum is a supplement to a legally binding document when executed appropriately and in compliance with policies and procedures. Creating or having an addendum was not the concern, but (a) when it was executed; (b) why and how it was modified, which changed the original intention of the special event agreement and Agenda Item presented to City Council on May 17, 2018 from a co-sponsorship relationship to a City fully-sponsored agreement ; (c) why City Legal did not receive it for review and approval; and (d) why it was not brought forward to City Council for ratification and confirmation prior to the event start date are the questions.

In accordance with generally accepted government auditing standards (Yellow Book) some of the criteria of the effectiveness and results of a Program or operation are based on: (a) budget proposals or budget request are/were reliable, valid or relevant to assist legislatures in the budget process; (b) the results produced were the intended [*contractual*] results, or the results that were not consistent with the program’s objectives were actually produced; (c) sound procurement practices were followed; (d) public resources were distributed/used within the context of statutory parameters; and (e) appropriate value was obtained based on the cost or amount paid, or based on the amount of revenue received.

4. The special event co-sponsorship agreement outlined the responsibilities of the City and the Partner, REH. Parks and Recreation management asserted it “*does not intend to request reimbursement from the Partner(s), as it was always intended that the City was responsible to pay for all the costs associated with the concert as the City was to reap all the profits from the concert*”.
5. City Auditor reiterated the context of the City Manager’s July 25, 2016 designation letter authorizing Parks and Recreation’s Director to execute “*... entertainment agreements up to \$100,000. All agreements over \$100,000 will still require City Council approval authorizing City Manager or designee to execute.*” Management exceeded its authority when it paid the total [\$300,000] Performance Guarantee without obtaining prior written authorization from the City Manager or Council for the additional \$200,000 expense. All relevant supporting documents should be attached/included in any request to City Council for consent to facilitate Council’s decision-making process.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2

Lack of Contract Management and Non-compliance with Contract Provisions – Overpaid on Co-sponsored Agreement

During the audit, it was noted where Parks and Recreation's Special Events management did not appropriately administer contracts associated with the REH John Fogerty/ZZ Top concert. As mentioned in Finding-1, above, management paid for and absorbed expenses belonging to its partners and deemed the payments appropriate: *"All expenses associated with the production of the event are paid for by the party collecting the ticket revenue; thus, the City paid for these expenses rather than REH (per contract) since the City collected the revenue"*. Neither the contract nor associated addendum reflects such provision. Management's decision and actions were contrary to the May 17, 2018's Consent request presented to and approved by City Council. More specifically:

1. Accepted, via action, an April 24, 2018 unilateral contract

Signed only by REH's representative, on behalf of the City's Parks and Recreation Director, to effect an agreement between the City and one artist or the agent of an artist to reimburse the artist for "Lift/VIP" receipts.

- a. Department management subsequently noted the *"agreement was with REH and the artist's agent so [they] do not have a fully-executed contract [between the City and the artist]"*.
- b. The City paid a total of \$15,000 in "Lift/VIP" receipts on behalf of REH absent a fully-executed contract(s) as follows:
 - i. \$10,675 "Lift/VIP settlement" to one vendor/artist's agent.
 - ii. \$ 4,325 "Lift/VIP settlement" to another vendor/artist's agent.
- c. The unilateral agreement was silent as to the individual or entity authorized to receive the "Lift/VIP Settlement" on behalf of the artist. Parks and Recreation's management paid an entity that was not disclosed in said agreement nor its reconciliation used as support indicated settlement for another entity/vendor on behalf of the artist. Neither entity was identified in said document. Management deemed the conduct an error on its part.

2. Non-compliant with provisions of the contract and associated addendum.

- a. Did not hold the co-sponsored partners accountable for their share of responsibilities.
 - i. Did not seek reimbursement for and does not intend to recoup expenses paid on behalf of the partners, including City services provided for which reimbursement was expected.
- b. Did not request nor pursue receipt of the required post-settlement report from the partner(s), including a reconciliation denoting the partner(s)' 'Matching Funds', total expenses incurred, and reimbursement to the City for City-services received during the event and other expenses paid by the City on-behalf of the partner(s). Per

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

- management, they “ . . . do not have as this was between the partner and its other-recognized partner.”
- c. Authorized Partner to perform functions contrary to the executed co-sponsored agreement, and in other roles outside any executed agreement with the expectation of being compensated.
 - i. “[Artists]” Merchandising”. Management deemed it practical to verbally authorize its Partner to handle merchandising aspect of the event for the City due to understaffing in Special Events, and the Partner having the staff who manages merchandise on a weekly basis. The contract and addendum were ignored and authority was given absent any language within either document or other written agreement to support management’s decision. According to management, the \$4,414 amount due to the City will be offset by Partner’s ‘Local Vendor Fees’ compensation, pending the merchandising settlement.
 - ii. Marketing/Advertising. Partner submitted documentation as support for a \$19,998.26 marketing reimbursement. Per management, Partner expects compensation and management intends to pay. Neither the contract nor the addendum contained any provision for the City being liable for this aspect of the event, and no other written agreement exists to support the claim and request for reimbursement. As reiterated by management on several occasions, the “ . . . *intent of the agreement [was for] the proceeds to cover all of the costs for the event, including those incurred by [the Partner]*. ”
 - 3. Overpaid on co-sponsored agreement – See Appendices D & E.

Pursuant to the April 23, 2018 executed contract between the City and REH, as well as City Council's May 17, 2018 approved Consent Agenda Item (ID#18-4575): “*The total performance guarantee for the event is \$300,000, which is being shared by three partners [City, REH and AEG]. The City's portion of the performance guarantee is \$100,000.*”

 - a. Total expense overpayment approximated \$268,600. This is attributed to management reimbursing partner and directly paying vendors of the partners and the artists for performance guarantee fees and other expenses of the co-sponsor(s), respectively. In addition, Partner owes approximately \$4,400 in artists’ concession revenue, bringing the total gross due from partner(s) to approximately \$273,000.
 - b. \$205,600 of the \$237,510 or 86.6% reflected on REH’s June 2, 2018 invoice (#243) submitted for reimbursement represent 76.5% of the approximate overall expense overpayment of \$268,600.
 - c. Partner/REH presented a prior invoice for reimbursement (invoice #241, and also dated June 2, 2018) totaling approximately \$30,200 for which payment was withheld pending conclusion of audit. That invoice was subsequently re-presented to Parks and Recreation’s management on May 2, 2019 on invoice #241-A with a revised total

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

of approximately \$24,207 for reimbursement.

In addition to the noted overpayment, management intends to reimburse the Partner an approximate additional \$44,407, which includes the \$24,207 noted above with no intention of recouping monies due to the City from the Partner. See below.

\$24,207	[~\$30,200 (invoice #241) – \$5,000 (Partner's acknowledged credit "Due To City" for 'opener/act' (Partner's expense previously paid by the City on invoice #243) – ~\$989 in total other miscellaneous adjustments (difference between invoices 241 and 241-A) as reflected on Partner's May 2, 2019 revised invoice (#241-A)].
	The Partner is responsible for approximately \$19,400 of the revised total fee of \$29,207 (invoice #241-A) in requested reimbursement (before Partner's acknowledgement of the \$5,000 credit due to the City).
\$20,000	[Specifically, \$19,998.26 in Advertising reimbursement – not denoted in contract as City's responsibility]
<u>\$ 200</u>	Local Vendors (Partner) Fee
<u>\$44,407</u>	Additional "Expected" Payment to Partner

4. Actual Event Receipts and Paid Expenses – See Appendix – C

The City collected approximately \$445,874 in total receipts/revenues and paid approximately \$420,723 for a total net receipt of \$25,151. If managed in accordance with the agreement and corresponding addendum, the event would have yielded net proceeds of approximately \$288,436 to the City after full settlement between the parties versus \$25,151; a reduction of \$263,285 in net proceeds to the City.

Approximately \$9,771 of expenses due to REH are included in the calculated net receipts of \$25,151 for which REH expects to collect. No consideration is given of the \$268,600 overpayment already received. Once paid, net receipts will approximate \$15,380, the difference between the total gross 'Due From Partner' of \$273,056 and the \$288,436 net proceeds 'Due To' the City after full settlement between the parties *iff* the event was managed in accordance with the agreement and corresponding addendum. The value obtained was not appropriate based on the cost or amount paid, nor on the amount of revenue received or expected to receive.

5. Other Expenses of the Co-sponsor

The following information reflects some of the co-sponsors' expenses, in accordance with the contract, paid by the City/Parks and Recreation Department. See Appendix – D, "Event Expense Overpayment", for a complete list and corresponding amounts, and below for the recap of REH's \$200,000 or $\frac{2}{3}$ portion of the total \$300,000 Performance Guarantee Fee

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

responsibility, also in accordance with the contract and City Council's May 17, 2018 approved Agenda.

- a. \$200,000 Performance Guarantee Fee
- b. City services provided:
 - i. Police
 - ii. EMS/Fire/Rescue and prevention
 - iii. Security company
 - iv. Electricians (for their respective fields of expertise)
- c. Chair rentals
- d. On-site logistics – provision relating to Partner's responsibility
- e. All contracting and arrangements for labor
- f. Stage/staging and stage management
 - i. Set-up and tear-down of all necessary event hardware
 - ii. Stagehands/staffing/runners
 - iii. Sound set-up
- g. Transportation
- h. Marketing

Additional Talent & Other Expenses of REH (Per its June 2, 2018 invoice (#243))

Performance Guarantee by:	\$200,000
Support Act - Kinder:	5,000
Marketing Reimbursement:	500
Sound Equipment/Monitors:	100
<hr/>	
Total	<u>\$205,600</u>

As previously noted, the \$200,000 represents REH/AEG's portion of the total \$300,000 Performance Guarantee, and is comprised as follows per its June 2, 2018 invoice (#243):

Balance of ZZ's \$125,000 PG	\$ 75,000 (after City \$50,000 wire for noted artist)
Production Beginning Act	20,000
Additional Performance Guarantee	105,000
<hr/>	
Total	<u>\$200,000</u>

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

The \$5,000 ‘Support Act’ under “Talent/Other Expenses . . .” (See 3.c., above) and the \$20,000 ‘Production Beginning Act’, or a total \$25,000, were grouped as Sound & Lights in the April 24, 2018 unilaterally-signed contract between one of the artists’ agent and the City (*signed only by REH on behalf of City but later noted by P&R management as by and between the partner and the artist*).

The \$500 ‘Marketing Reimbursement’ was also reflected on said April 24, 2018 contract as [video] promotional footage creation.

The \$100 Sound Equipment/Monitors expense was charged by REH’s other partner as an ‘opening monitor’ expense of the City. According to the Special Events manager, this expense of the partner was for a *“board/sound operator who filled-in for an individual who became ill the day of the event”*. Parks and Recreation’s management approved paying this expense of the partner *“due to the need arising at the last minute”*. This decision was made despite the expense belonged to the partner(s) and *not* to the City. See Appendix – E, “Event Results IFF Managed in Accordance with Contract (Due To [REH]/Due From [REH])”.

Recommendation

Members of the Special Events management team represent the Department’s key first-line of contract administrators responsible for drafting and receiving, reviewing and approving special events-related contracts based on established City lines of approval and policies and procedures. Based on the foregoing observations illustrating management operating external to City guidelines, including managing provisions of contracts and City resources it deems appropriate, City Auditor recommends the Department consider the following recommendations:

- Provide/Develop training.
 - Relating to contract life-cycle. All levels of management and others who may become involved in the contract life-cycle should be trained to attain the right balance between technical and relational skills necessary to successfully administer special events’ contracts.
 - Many industry groups and professional organizations offer contract management classes and courses that provide a solid understanding of how to manage an entire contract process. Some offer a blend of textbook theory with real-life perspectives that allow for effective assessment, management, and solving or resolving complex challenges that may arise in all phases of the contract life cycle and yield successful project outcomes.
 - In-house/departmental training for all its employees on compliance with relevant City policies and procedures, City Council policies and City Code of Ordinances, and require completion by all on at least an annual basis, but preferably on a semi-annual basis to reinforce and ensure City management’s expectations and those in governance are met.
- Require those involved in various aspects of the special events program, directly

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

(operations, accounting, executive management) or indirectly (other departments that provide City services at special events who are expected to accurately capture and report their service amounts) to maintain ongoing dialogue with each other to understand the nuances of everyone's responsibility and address and resolve challenges faced in managing every aspect of the special events process.

- Continuously assess and ensure the reliability, validity or relevance of its special events budget proposals or budget requests, and appropriately adjust to accurately convey all facts to City Council and City management in a timely manner and in accordance with established policies to facilitate in their budget decision-making process.
- Assess its ability to create alternative approaches to yield better program performance or eliminate factors that inhibit program and management effectiveness.

See Appendix – B, “*Contracts Management Process*” for specific recommended steps and Appendix – A, “*Solicit Legal Review and Input*” for additional discussion.

Management Response

A standard partnership agreement template form which was previously approved by the City Council and used for other events, was also used by the Special Events Manager to develop an Agreement with Partner and the City. This caused items that should have been removed in order to accurately reflect management's intentions to remain in the contract. The City/Special Events was responsible for paying for those items. In the future, we will make certain that the contracts are correct, accurate, and enforced. Management's focus is on moving forward to ensure future festivals and events are conducted more effectively and efficiently, along with improve policies and procedures to facilitate the direction and management's intention.

Management acknowledges that the findings of Section 2 “Lack of Contract Management and Non-compliance with Contract Provisions/Overpaid on Co-sponsored Agreement” is the direct result of using a flawed agreement as the basis of this audit. Had the agreement reflected the original intentions of the City/Special Events section and the Partner, this finding would not be needed.

Knowing that the standard partnership agreement did not reflect the true intentions of the City/Special Events section, the Deputy Director inquired on at least two occasions if something could be done to clarify and correct the mistakes of the Agreement by going back to the Council for their information and approval. Understandably, even if we went back to the Council, the Auditor indicated that the audit needed to be based on the original Agreement approved by the Director and Partner representative.

As an aside, it is inconceivable that anyone would Partner with the City on a concert event where they had no opportunity to recoup their expenses; as in this case, the Partner would be responsible for expenses of \$268,642.45. The Partner in this case was just as negligent

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

as the City/Special Event staff for signing and agreeing to a faulty contract, one where they would not be able to make any money to cover their expenses. They are not in business to do that.

Corrective Action Plan

- Management will research, provide, and offer contract management training opportunities to all levels of management involved in contract negotiations within a year.
- Management will continue to provide in-house training for all employees regarding all relevant City Policy and Procedures at least once a year.
- Management will continue to encourage and require those involved in the special events process including members of the special events committee to communicate regularly with each other pre, post, and during events.
- Together with current Munis and Rec Trac Programs, management will investigate the possible purchase of an additional tracking system to monitor and accurately report results of all special events by March 30, 2020.

Target Completion Date

Target dates included in Corrective Action Plans

City Auditor's Comments on Management's Response(s)

During the audit, the Deputy Director inquired on at least two occasions if something could be done to clarify and correct the mistakes of the Agreement. However, City Auditor informed/reminded Parks and Recreation's Deputy Director that the event already occurred/time passed (and regardless of the length of period passed (one day, one year or otherwise)). Past occurrences cannot be rectified. However, Parks and Recreation's management should establish and require adherence to preventive and detective controls to avoid those situations from recurring and to alert/identify shortly after their occurrence, if applicable. In addition to City Council and City policies and procedures and operating in accordance with generally accepted government auditing standards issued by the U.S. Government Accountability Office Comptroller General of the United States and generally accepted accounting principles (GAAP), the audit was based on the agreement and addendum fully-executed by the Parks and Recreation Director and City Council's approved agenda item in effect at the time of the special event. They were executed with ample time remaining prior to the event start date to secure 'clarification and correct mistakes of the Agreement'.

Existing City policies and procedures and City Council Policy were applied during the audit. City Council Policy, as noted on the City Council's webpage under "Documents and Meeting Information" with a note of "revisions adopted 08-14-2018", states in the second paragraph of City Council Policy 2-21, "**Special Events Fee**", "... Only after the item is passed as part of the approved budget is the item considered to be funded."

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 2 (*Continued*):

Parks and Recreation's management affirmed the Partner is not in the business of not being able to make any money to cover its expenses. Management's recognition is understandable. Conversely, management deems it appropriate for the City to pay and absorb expenses of a separate and distinct entity to accommodate an agreement entered into outside established City guidelines Pursuant to the Yellow Book standards, public resources are to be used within the context of statutory parameters, including adhering to sound procurement practices and obtaining appropriate value from transactions/activities based on the cost or amount paid, or on the amount of revenue received.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 3

Lack of Reliable and Accurate Reporting System to Track Receipts and Expenditures of Special Events

Management and responsible personnel are aware of aspects of the special events operations. However, during the audit, they were unable to adequately communicate the full extent and particulars of the operations and where each event fit under the different event type (City fully-sponsored, co-sponsored, private).

- Source/supporting documents are not verified against or reconciled to a comprehensive reporting system and contain information unrelated to the event under review. In addition, and as noted throughout the report, including Finding-5, below, management performs little to no review and approval of data entries or transactions. Data used to generate the analyses/reports were obtained from third-party source documents (vendor receipts and unreviewed settlement statements not understood by staff or management) versus using accurate, complete and reliable internal/departmental cost and revenue reports, statements or reconciliations. In addition, reports or analyses from other departments for City services provided may or may not be included in the analyses and, when included, were not reviewed for completeness nor accurately interpreted.
- Designated/authorized individuals have access to and use the E-Tix Administrative applications and RecTrac to track and generate various reports on different aspects of an event. Management and staff were unable to define the purpose and use of the financial reports and explain how each report tied together or reconciled to the event's overall performance.
- Assessments of and decisions about Special Events operational performance were made using analyses containing incomplete data components of an event (complete and accurate revenue streams; and general and administrative and other costs) rendering the system/methodology unreliable, inadequate and inconclusive.
 - Activity reports/spreadsheet analyses prepared for internal purposes or received from third party sources and incorporated into internal reports/analyses contained formula errors, unexplainable and plugged amounts.
 - Data necessary to effectively and accurately relay each event's financial performance were excluded, and management “*could not vouch for their accuracy and completeness as they've never been tasked to nor maintained official profit & loss statements for events*”.
- No procedures are in place for determining the price for booth rental space and collecting concession revenue. Rental space concession revenue is processed in the same manner as daily operations and the authority and source for establishing the fees could not be defined. When inquired as to the existence of an official vendor concession fee schedule used to charge vendors for rent concession spaces, Special Events manager noted none exists. Vendors are charged a fee based on the event, expected attendance, number of days an event is scheduled and vendor type (food/merchandise). Management noted prior

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 3 (*Continued*):

year's events results are considered when determining the current year's vendor pricing.

- Two types of blank food vendor application packages were provided by management, with each showing different typed-in "Prices" (\$100 on one, and \$150 on the other) without any indication as to the controlling factors that drive the different prices: specific space/booth size, location, combination of both.
- Breakeven analyses are not performed prior to staging events and planning. No formal standard operating procedures (SOPs) exist to forecast a breakeven amount.

Recommendation

City Auditor recommends management:

1. Obtain a thorough understanding of its special events operation and appropriately manage the different type of events (City fully-sponsored, co-sponsored, private) to ensure amounts received/collected and monies spent accurately and reliably reflect each event.
2. Obtain a full understanding of available databases (Munis (City's financial accounting and management information system) and RecTrac (Parks and Recreation's recreation management software used to monitor its operations)), their recording, monitoring and reporting features and how best to utilize them to generate meaningful reports for management decision-making purposes.
3. Develop an accurate and reliable reporting system to properly and effectively track the results of each special event through relevant and accurate reports and analyses (planning/pre- and post-event's activities) that report revenue and cost-benefit analyses to management on a per event or monthly basis. Ensure the integrity of the information generated is achieved and maintained. This will facilitate identifying and addressing threats and opportunities that [may] exist, and ensure the objectives of completeness, accuracy, and validity are met.

Key control activities should include:

- Performing edit, completeness, and reasonableness checks.
- Maintaining adequate and reliable documentation requirements. See Finding-4, below.
- Performing more appropriate and higher-level supervisory and managerial requirements/oversight. See Finding-5, below.
- Underscoring/re-emphasizing compliance with established [procurement] policies and procedures. See Finding-6, below.
- Ensuring proper segregation of duties exists. See Finding-8, below.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 3 (*Continued*):

In further developing a reliable and accurate reporting system, management should:

- Network with other municipalities involved in special events and industry leaders to determine the current best events' tracking management systems used/on the market that capture and report all events' activities by event/project, including payroll/human resources, materials and supplies.
 - Collaborate with responsible City personnel from each department expected to budget for and contribute to annual special events to better understand the intricacies and nuances of their responsibilities, and the challenges they face in accurately and completely reporting City services they provide to special events and to determine the best possible approach to accomplish this feat.
 - Collaborate with City Finance and City Information Technology Departments to determine the most effective approach to integrate Special Events operations completely into the appropriate module(s) in Munis, the City's financial accounting and management information system, to produce reliable cost and revenue comparison reports that accurately and completely reflect every component of an event, including personnel and materials/supplies, for management's and other parties' use.
4. Implement internal controls for the reporting system to ensure amounts reported are reliable and accurate.
 5. Develop proper control for performance measures to accurately monitor performance outcomes. Adequately monitor performance measures.
 6. Ensure management information, such as performance measures, and public reports are complete, accurate, and consistent to support performance and decision making.
 7. Develop a uniform and approved fee schedule based on current best practice within the special events' community/industry for use in charging vendors for space/booth rentals and implement control procedures for collecting and accurately and completely reporting the related rental space concession revenues. As internal controls over revenue administration are key in ensuring appropriate fees and other revenues due to the City are charged and collected, this will establish consistency in treatment and serve as a reference tool to measure and monitor the associated revenues.
 8. Develop formal standard operating procedures to forecast each event's breakeven amount prior to planning and staging the event to determine how much sales would be needed at a given price to cover all costs (fixed and variable) associated with putting on an event. Performing in-depth analyses on the relative cost-effectiveness of each special event activity and focusing on combining cost information or other inputs with information about outputs/benefit provided or outcomes/results achieved will ensure fees assessed will cover

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 3 (*Continued*):

all costs and safeguard City resources when acquiring, using and disposing funds and providing/delivering City services.

Management Response

Breakeven analyses are conducted by Parks and Recreation by analyzing past performance expenses and revenues and making an estimate of expenses and revenue for each event. This is in the form of a spreadsheet which has been the template used for the past twenty years. Management agrees that a better more comprehensive and formal process should and will be implemented in the future.

There was and is a procedure in place for pricing and collecting booth rental space; however, it is not a formal process and as management stated, pricing is determined usually by prior year results. The main driving force behind the price of a booth rental is the size of the rental. For this event, the sizes were 100 sf and 225 sf. Management acknowledges that a more formal procedure and process needs to be in place for consistent booth rentals.

Corrective Action Plan

- Will develop clear definitions for City fully sponsored, cosponsored, and private events no later than Dec. 31, 2019 and ensure staff is well versed in the various nuances of each.
- Provide appropriate training to special event staff to understand and use Munis and RecTrac systems so they can use them as a tool for better decision making. Training has begun but a complete program will be established by Dec. 31, 2019.
- Use Munis to capture all expenses and revenues and backup information relative to each special event. This is currently being done, so we should get some excellent data after the 2019 HHC. Also, as a part of this, develop standard operating procedures to provide internal controls over reports and performance measures by Jan. 31, 2020.
- Will develop formal standard operating procedures to forecast each event no later than December 31, 2019.
- Will develop a formal pricing structure based on Best Practice for booth rentals by November 1, 2019.

Target Completion Date

Target dates included in Corrective Action plans

City Auditor's Comments on Management's Response(s)

Break-even analyses should be adequately and accurately calculated to facilitate management decision-making function. Those calculations should be reviewed and approved in writing by the appropriate levels of Parks and Recreation's management and maintained to support its

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 3 (*Continued*):

assertion of that function being performed for the past twenty years and successfully sustaining the \$200,000 seed money from annual events' net receipts prior to FY18. The break-even analysis documentation provided to Audit for this concert represented a proposal submitted by one of the Partners based on maximum attendance versus Special Events internal calculations and did not include many of the expenses actually 'and intended to be' incurred by the City/Parks and Recreation Department.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4

Lack of or Inadequate Supporting Documents

During the audit, it was noted where Parks and Recreation's management and staff were unable to provide adequate, complete and accurate documentation to support requested transactions as such were not maintained. As a result, proper and timely reconciliations of the event's activities were not performed to facilitate management's decision-making functions. Supporting documents were inadequately controlled or did not exist, and employees spent an inordinate amount of nonproductive time searching for and requesting necessary documents it should already have had in its position from the co-sponsor and the co-sponsor's other partner.

Overall, the following observations were noted for many of the documents provided as support and reconciliations:

Supporting Documents

- a. Contained manual input, formula errors and computations for which the preparers and responsible reviewers could not explain or justify.
- b. Represented multiple versions of an initial report(s) or analysis(es), most of which were unreliable due to inaccuracies and unexplainable amounts and activities.
- c. Were unrelated to the event but provided as support for the event under examination.
- d. Critical documents (fully-executed contract(s), performance guarantee, invoices, cancelled checks or wire transfer statements, payment receipts, settlement statements) and other relevant accounting records to support transactions were never requested by management from the co-sponsor or its partner prior to the audit to facilitate a post-event reconciliation.
 - i. Some items requested by Audit were never received from management nor its co-sponsored partner(s), while others were provided subsequent to multiple requests.
- e. Requests for supporting documents from City departments that provided services at the event were not made by Special Events management in a timely manner and, once received, were not verified for accuracy or completeness or used appropriately (accurately and completely) to track the event's activities.

Reconciliations

- a. Proper reconciliations are not prepared to reflect all activities of an event or during any month. Those presented upon request at the onset of the engagement did not indicate reviews and approvals from the appropriate levels of management and were not supported by adequate or credible documentation. Those prepared during the audit were unreconcilable due to their untimely performance and lack of adequate and reliable supporting documents (event's reports, statements, POS (Point of Sales) Sales Receipts, schedules), and also did not reflect the appropriate management reviews and approvals to ensure accuracy of items included, prices (contract, agreement, invoices), price extensions and totals.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

- b. Amounts reflected in those prepared and deemed ‘for internal/management purposes’ or reflected in other reports received from third party sources could not be adequately and comfortably explained by management and staff.
- c. In other instances, no support or reconciliation existed.

Management noted only rough estimates of revenues and expenses for individual events are maintained and documents requested were not made available to them nor were received from those who originally generated them. As a result, misstatements occurred that could have been prevented or detected in a timelier manner if appropriate management reviews and approvals were conducted.

Note the following specific observations:

1. **“Day of” [Event] Cash Sales.** E-Tix’s Ticket Sales Report generated by management from E-Tix’s Administration’s module denoted \$24,448 as total cash sales on the day of the event. Special Events POS Sales Receipt generated from its RecTrac events’ tracking system reported “Day of” Cash Sales of \$12,775, for a difference of \$11,673 between the two systems. Management was unable to determine and provide the composition and supporting documents for the \$12,775 noted in RecTrac and deposited in the City’s bank account or accurately reconcile to the \$11,673 difference. This was attributed to the fact a post-event reconciliation was never conducted and could not be accurately re-performed.

Cash Sales, per E-Tix	\$24,448.26
Less: Cash Sales, per RecTrac	<u>12,775.00</u>
Unreconciled Difference	<u>\$11,673.26</u>
 ‘Presumed’ Unsold Preprinted Tixs. (Total Batched Orders)	 \$14,400.00
Unreconciled Difference	<u>11,673.26</u>
Unreported Tickets (Unaccounted for in E-Tix)	<u>\$ 2,726.74</u>

According to E-Tix’s representative, cash sales reflected in its Ticket Sales module is based on actual entries/input from its clients (authorized management and client box office personnel). Per management, staff responsible for handling the process of voiding unsold tickets after the concert ended did not properly carry out this function and no information other than the amount deposited is available. Management further noted that tickets were preprinted the day of the concert and distributed to sales booths and chair rental area(s) to be sold as upgrades to avoid anticipated long lines; unsold tickets were not voided as should have but, instead, were either disposed of or are missing from the files; and all tickets should have been accounted for and reported in E-Tix’s system as ‘Voided’ to reflect refunded tickets and reduce total cash sales.

2. **Performance Audit Reports.** Two reports initially provided for examination were presented as

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

relating to both artists; however, the reports were identical and related only to one artist. The documents denoted only two types of ticket levels (front row and VIP packages) and the associated unit selling prices. The corresponding Settlement Report included a third VIP ticket pricing level which management stated was determined by the artist's agent. No contract was available for review and the Performance Audit Report gave no indication of another ticket pricing level.

3. *E-Tix Settlement Report.* Management could not reconcile information on the Settlement Report to supporting documentation and other E-Tix reports.

- a. In one instance, the amount deemed payable to the City was higher than the actual amount remitted via wire transfer as settlement. Support for the difference could not be provided due to the nonperformance of any reconciliation between the report and source documents, and staff did not inquire of E-Tix to determine the validity and accuracy of the amount or any amounts on the report. According to E-Tix's representative, the difference represented the fee for "Pull Tickets" determined at \$0.10 per "Pull Ticket" (tickets not generated online or via telephone) in accordance with their contract.

E-Tix's representative . . .

- i. noted management and staff have access to applicable E-Tix modules to determine every ticketing activity by special event and to generate management reports.
 - ii. noted the E-Tix's Settlement Report provided to Audit by Parks and Recreation management was not generated from its/E-Tix's system even though the company's logo was included thereon since it did not include the number of "Pull Tickets" and the related fee that produced the difference between the Settlement Report and the wire support, nor the correct total due to the City.
 - iii. could not determine the source of additional data reflected on said Report (recaps of the artists "Lift/VIP" amounts), which was generated by the City, since E-Tix's system reflected only what was actually due and remitted to Parks and Recreation's Special Events as support for the final settlement.
 - b. In another instance, E-Tix's representative noted submitting a prior Settlement Report and payment for previous ticket sales for inclusion in determining the correct number of tickets sold for the event. Special Events management and personnel did not recall receiving any such prior documents.
4. *E-Tix and Other Ticket Sales Reports.* Management was uncertain about the total number of tickets sold for the event. A single page sales printout was provided by the Special Events manager as support with information that could not be corroborated with the initial E-Tix's Settlement Report provided by the manager, the Ticket Sales Report or any other sales-related reports.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

This was due primarily to personnel not understanding the special events' reports available to them and not conducting the necessary sales reconciliations to detailed supporting documentation (E-Tix reports and wire remittances) for presentation to upper management for review, approval and decision-making purposes. Said document also did not contain any level of signatory review and approval.

- a. Management was unable to interpret the various E-Tix reports, the resulting ticket sales amounts and numbers.
 - b. E-Tix's representative was also unable to explain the contents of said single page printout as, per E-Tix, it was not one from their system.
5. Food Vendor Booth Rentals. Five facility sales receipts were provided for food vendor booth rentals totaling \$700 versus \$750 initially reported by management. One of the five did not pertain to the June 2, 2018 Fogerty/ZZ-Top event but, instead, to a subsequent event: July 4, 2018 for \$200. Accordingly, the number of food vendor booth rentals was reduced to four and a total of \$500 in receipts.

After several inquiries of management, two additional vendor booth rental applications were provided for a revised total of six. Support for the corresponding receipt for one of the two denoted a check remitted as payment for the rental. Management informed that said vendor turned in paperwork with the intention of participating at the event, but withdrew due to unforeseen circumstances. Management later represented only five food vendors were present at the event with a combined total receipt of \$650.

The following additional observations relating to processing payments on the booth rentals were noted:

- a. Vendor-1: Check dated 17-days after event; processed in Parks & Recreations' RecTrac system one month and three (3) days after the event; and deposited the day after processed in the system (one month and four days).

The required "Application Cover Sheet" denoting booth size, price and other event-related information, and the required "Payment Method" form were not included in the food vendor application package.

- b. Vendor-2: Check dated day of event; processed in RecTrac system five (5) days after the event; and deposited nine (9) days after the event (4-days after processed in RecTrac).

The required "Payment Method" form was not included in the vendor application package, nor was the booth size denoted.

- c. Vendor-3: Credit card payment processed in RecTrac six (6) days after the event.

Food vendor application package was processed in its entirety.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

- d. Vendor-4: Per management, vendor paid the booth rental fee in person, but did not complete the required food vendor application package. A copy of the check was not maintained. Payment processed in RecTrac two (2) days after the event and *deposited the next day (three (3) days after event)*.

Supporting documents and RecTrac system denoted an additional \$100 payment journalized for said vendor in the system for the event. Staff intended to correct/reverse the amount deemed ‘payment error’; however, the effort was inadvertently performed incorrectly which voided itself and kept the initial additional payment error.

- e. Vendor-5: Credit card payment was processed in the RecTrac system two (2) days after event.

The required “Application Cover Sheet” denoting booth size, price and other event-related information was not included in the food vendor application package.

6. Beverage Sales. The following observations were noted:

- a. Total credit card (CC) beverage sales of \$6,668 were recorded as collected on the corresponding RecTrac POS Sales Receipt. However, supporting documentation denoted total CC sales of \$6,385: a \$283 decreased difference from the initial amount recorded in the system for which management was unable to determine/reconcile. Management stated the original POS receipt was created in error and should have been voided but was not. The original and replacement POS receipts were voided and created, respectively, the latter part of June 2019, approximately one year after the event. The replacement POS receipt was backdated to June 2018, the day of the original receipt.
- b. \$44,314 in beverage sales, chair rentals, and parking cash receipts, \$12,775 in ‘Day of’ event ticket sales and \$11,100 in returned change/float funds were deposited four (4) business days after the event for a total of \$68,189.
- c. Supporting documents provided for management-prepared POS report and Square POS report yielded differences in the POS cash drawers (receipts and deposits) and credit card recaps as noted below. Each POS device was assigned to a specific event staff using the device number as the unique identifier to track and maintain the integrity of transactions reported by each device.

See Appendix – F for recapped differences (1) between “Expected Cash Drawer Total” and “Actual Cash Drawer Total”, (2) in reported credit card transactions utilizing management’s “POS Excel Summary report” and “Square” POS report, and (3) between “Actual Cash Drawer/POS Total” and “Deposits” per POS numbers.

Management POS [Excel] Summary Report versus Square POS Report versus Actual Deposit – Beverage Sales

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

- i. Eight POS devices (POS 1-5, and 7, 8, and 18) were designated as beverage sales' POS on management's POS Summary report. The Square POS report only noted six (POS 1-6), and zero data for POS 7, 8, and 18.
- ii. Management's POS Summary report reflected POS 6, also designated to process beverage sales, as "Called Out" (no show). The Square POS report reported activity for this device.
- iii. Management's POS Summary report reflected POS 1, 2, 5, 7, and 8 as designated cash and credit card sales processors, and POS 18 for credit card sales only with all such devices reported activities. The Square POS report reflected zero activity for POS 7, 8 and 18.
- iv. "Amount Deposited" per each POS device/drawer on management's POS Summary report differed from the "Actual Amount Collected" per said POS drawer.

Parks and Recreation's management was unable to state the rationale for manually assigning POS device numbers used in its worksheets that do not reconcile to Square's POS device numbers and unique identifiers.

7. Chair Rentals and Parking.

Chairs were rented and parking spaces were sold to concert goers for cash. However, Parks and Recreation management did not utilize any form of ticketing system to track the rentals and sales and ensure the integrity of those transactions.

Recommendation

City Auditor reiterates management and staff obtaining a full understanding of its special events operation and administering the various events accordingly to ensure each event information recorded and communicated is accurate, complete, valid and reliable. In order to realize this expectation, City Auditor recommends management's consideration of the following practices:

- Understand the reports, statements, and other key documents/analyses. The mechanics of documents generated from the various reporting systems (E-Tix, RecTrac, and Munis) and analyses prepared by staff to convey activities should be clearly understood to facilitate accurate reporting.
 - Solicit technical assistance from E-Tix and RecTrac vendors' technical assistance groups and document the support received in knowing how to effectively use their software for future reference and training.
 - Abstain from editing reports generated from E-Tix.
 - Attend ongoing Munis sessions and request help from the City's Munis team to clearly understand the particulars of the system and how it can be used to create meaningful reports for analyzing and communicating special events activities.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

- Training. Provide the necessary training (bookkeeping, reporting/tracking systems) to all personnel involved in special events to facilitate accurate and timely processing of special events and other recreational activities.
- Reconciliations. Perform and maintain proper and timely month-end and or per event reconciliations of special events activities to fully-executed contracts and other relevant supporting documents to identify and limit potential losses in a timely manner, and be remitted to the appropriate levels for review and approval. To be effective, internal records must exist and be accurate and reliable to begin with. Furthermore, reconciliations should:
 - Reflect any reconciling item/difference for prompt investigation and resolution/appropriate corrective actions, and necessary adjustments should be carefully reviewed and approved to ensure accuracy in reporting prior to entering or uploading into the City's financial system.
 - Be prepared by the staff accountant, reviewed by the senior accountant and approved by the Department's Controller. The designated Special Events Assistant Director or the Department's Deputy Director should perform cursory reviews to ensure transactions/activities were properly recorded and appropriately reconciled. They should also reflect the names of the preparer, reviewer, and approver, and signed and dated by each responsible person to indicate the oversight process was completed.
 - Reflect all activities relating only to the specific event being reconciled, including change funds received, all receipts/collections/due from (reimbursements), all expenditures and appropriate reimbursements (due to), administrative costs, unsold and voided tickets, materials and supplies used for the event, and the resulting ending balance (profit or loss).
 - Accurately report on the results of each event.
 - Be supported by key documents that sufficiently give credence to each transaction and provide assurance as to their accuracy.
- Maintain unsold tickets (Voided and Comp'd) for Reconciliation and Audit Purposes. Unsold tickets should be voided and maintained in a secure file to facilitate accurate reconciliations of the total number of tickets generated for each event to total tickets sold, 'Comp'd and 'Voided' (and defaced as such), and for oversight and audit purposes for not less than three years. See Finding-8, "Inadequate Safeguarding of Assets/Monies for Deposit" for further discussion.
- Utilize a two- or multi-part sequentially-numbered ticketing approach. Under either ticketing approach, each ticket is sequentially-numbered and each part of the ticket is separated by perforations to allow tearing: one part given to the customer after payment is received and

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

the other(s) kept by event staff for accounting/reconciliation purpose and to preserve the integrity of the rentals and sales.

- *Discontinue preprinting tickets for distribution to ticket sales booths and other areas/persons.* To lessen the chances of lost, missing or misappropriated tickets, other than Comp'd tickets, management should not generate or allow any tickets to be generated in advance. Each ticket booth is equipped with an E-Ticket box office ticketing system to generate tickets *upon receipt of payment* from the event goer.
 - If long lines are anticipated based upon sound documented event planning, then additional ticket booths should be brought in to alleviate any predicted extensive waiting to purchase tickets.
 - Every ticketing activity (Cash/Box Office, online, phone, Comp, and refunded/voided) should be accurately and completely documented based upon ticket level/type, price, payment method, ticket number, date and issuer.
- *Complete all required and established City forms and pay before setting-up booths.* Implement a policy and maintain consistency with business best practice of requiring vendors to present all documents (insurance and permits) necessary for participation in a City event for review and approval, complete all relevant forms within the required vendor application package in their entirety, and *pay* all established fees within a pre-determined cut-off period (at least five business days) *prior to* setting up shop for an event versus employing the trust system of '*pay after you make*' as this increases the City's liabilities, does not lend to proper accounting, and increases the chances of errors and misappropriations.

Vendors who are unable to satisfy the City's established guidelines and within the recognized time period should not be allowed to participate. Management should inform vendors of its procedures on an annual basis and communicate this directive to all personnel and event staff to ensure compliance. Non-compliance should be handled via disciplinary actions.
- *Promptly process and deposit all monies received.* In addition to the preceding bullet, it is strongly recommended that authorized personnel promptly deposit all monies collected, preferably the same or next business day, after adhering to the Department's and standard best practice's post-event requirements:
 - Recount/re-verify the prior day(s) event's receipts.
 - Sign-off on all counts (counter and secondary counter).
 - Prepare and seal all money bags for deposits.
 - Complete each respective deposit ticket (by revenue stream: beverage sale; cash ticket sales; parking; and chair rentals) and note the following information on the deposit ticket:

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

- Corresponding money bag number.
- Date deposit ticket was prepared.
- Type/revenue stream or source.
- Amount of each deposit type, and deposit ticket total.
- Names of the preparer and reviewer.
- Complete the required armored truck deposit/transfer of accountability form for pick-up and delivery to the bank, and sign-offs (preparer's name, signature and date; and delivery truck driver's name, signature and pick-up date).

Management Response

Concurs with audit findings that there was a lack of or inadequate supporting documents that were not readily available for an audit and it took staff a long time to investigate and obtain all supporting documentations requested by Auditor. We recognize the importance of providing accurate documentation and reconciliation and will adjust current policy and practices to address these deficiencies.

The City and Partner for this event are partners in several different venues including Coachman Park, Capitol Theater, and Ruth Eckerd Hall. As such there is a certain respect and trust that has been built up over the years between the representatives of each organization. The Partner was unable to provide all the information requested as they had never been asked for the backup information in this manner and did not have it readily available similar to Parks and Recreation.

Corrective Action Plan

- Management will adopt the City Auditor's recommendations as found in the report as written and will implement them immediately. They include the following:
 - Discontinue preprinting tickets for distribution to ticket sales booths and other areas/persons.
 - Complete all required and established City forms and receive payment before reserving and ordering a food booth.
 - Promptly process and deposit all monies received.
- Management will provide training to all personnel involved in the special event process so that they can understand, monitor, plan and implement accurate reports, statements and other key documents and analyses for each special event by December 31, 2019.
- All Special events will be reconciled by staff within 30 days after the event, with review and approval to occur within 30 days thereafter beginning immediately.
- Internal records and support for all contracts, expenses, and revenue generated from events will be stored and kept in the Administrative Office and the responsibility of the Parks and Recreation Controller beginning immediately.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 4 (*Continued*):

Target Completion Date

Target dates included in Corrective Action plans

City Auditor's Comments on Management's Response(s)

It is commendable this rapport has been developed over the years between the representatives of each organization. This should have facilitated the production of all requisite documents and reports in a timely manner to enable a proper audit.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 5

Poor or Lack of Oversight of Special Events' Activities

Proper oversight ensures overall high standards of ethical behavior in the City. During the audit, and as disclosed throughout the audit report, City Auditor noted no official oversight process exists within the Special Events operations.

- Transactions, analyses, performance reporting and supporting documents were not reviewed nor adequately approved by the appropriate levels of authority to ensure amounts reported are valid, accurate and complete. In other instances, necessary performance reporting was not prepared.
- Prior written authorizations were not consistently obtained from the appropriate level of authority *before* funds were spent (disbursements are made absent proper written approval). In one instance deemed “written approval obtained” by management, funds used/spent did not accurately or appropriately reflect compliance with City policy.

Other specific instances include:

- Artists' Concession Settlement Reports/Statements. Statements provided as supporting documentation by the partner/REH denoted two-\$100 "Local Vendor Fees" deducted from the total amount due to City for each artist, and partner's consistent use of slightly higher and inconsistent Sales & Surtax rates for concession and booth rentals, respectively, to calculate the taxes 'owed' by the City.

According to management, the "Local Vendor Fees" were paid to the Partner for its staff to *"manage this aspect"* for the City since Special Events were understaffed and could not handle this with their existing staff. This resulted in a lower net amount due to the City. City pending receipt of its calculated \$4,414 share of the settlement from the artists' concession.

- Assessed Credit Card (CC) Fees on 'Merchandise' Sold by/for Each Artist. CC fees assessed on individual artist's merchandise were inconsistent from one artist to the next, including when the artists' merchandise was combined and sold jointly. City Auditor recalculated assessed credit card fees noting they ranged from 3.1% to 4.6%.

Management did not obtain any documentation to support the total base receipts used to calculate the credit card fees for each artist's merchandise and autographs sold or the rates assessed by the card issuer based on type of card presented. Per management, Parks and Recreation's staff observed and [verbally] vouched for each merchandise type and amounts by artist, and the partner was paid/is expected to be paid \$200 to *'manage and supervise'*. Note that neither the contract nor the addendum indicates this arrangement.

Purchasing Cards' Transactions. All City employees to whom purchasing cards (P-Cards) are granted are informed by City Finance/Purchasing Division during P-Card orientation that *"P-cards are not to be used for food purchases, unless prior written approval is obtained from the City Manager or his designee."*

City Auditor noted a June 1, 2018 email authorization from the Deputy City Manager to

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 5 (*Continued*):

purchase food (to be effected via reimbursement) for tour catering needs for the June 2, 2018 ZZ-Top/Fogerty concert. Parks and Recreation management declared it included food for event staff and volunteers assisting at the June 2, 2018's REH Fogerty/ZZ-Top event. A "cash register" receipt was submitted to Audit as support for the food/pizza purchase and dated June 25, 2018, 23 days after the event, along with said email authorization as approval. Per management, "*the pizza was consumed on June 2, 2018, but the vendor [generated a cash register receipt] provided the invoice at a later date*". Cash register receipts are point of sale transactions: printed at the very point in time the actual sale takes place, and especially from a fast food vendor. Fast food purchases do not go through the typical invoicing/billing system and moreover after the meal is consumed.

Upon several inquiries of management, Parks and Recreation's management provided an email from the store owner stating ". . . the event order was put on account since both parties . . . were always too busy during event weekends to settle up on the balance. [Owner] did not follow up for immediate payment since we were always planning to be a vendor/participant in the next event." Owner did not submit the additional documentation requested to support the validity of the transaction.

Recommendation

In view of the nature and complexity of the Special Events operations, its risk profile and current state of the Department's oversight process observed during the audit, City Auditor recommends Parks and Recreation's Director and Deputy/Assistant Directors perform or consider implementing the suggestions below to improve its monitoring process and ensure it works efficiently and correctly to mitigate errors, irregularities and negligence. Parks and Recreation's management should note that oversight is an iterative process and not a 'just for the moment' act or per event. Recommendations to bolster the oversight process include:

- Parks and Recreation's Assistant Director assigned to the Special Events operation and the Department's other executive management (Deputy Director and Director) actively perform their required oversight responsibilities. This includes supervising, monitoring, reviewing and approving/authorizing personnel and all special events' activities and transactions, performance reporting, and initiate all necessary corrective actions to ensure program performance and operations are managed in the most cost-effective way.
 - Thorough reviews of all documents received as support, including food purchases made on P-Cards or those submitted for reimbursement, should be performed to ensure they are valid, accurate and complete prior to approving.
 - Discrepancies should immediately be communicated to the responsible party for resolution (obtaining the proper support and authorization) and the respective department director, if adequate support is not provided or available. City Finance and City Auditor should be made aware of the finding(s), in writing.
 - Develop, communicate and maintain transparency in the Special Events' operations.
- Implement and enforce a more structured process to monitor and report critical operation's

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 5 (*Continued*):

risks and challenges, look for opportunities to enhance the reporting process to make it more effective and efficient, and increase the regularity of reporting.

- Review periodic reports that:
 - Recap exceptions to established policies or limits for key risks (limits violations, policy breaches, near misses).
 - Evaluate the effect of changes in external variables that significantly influence the current operations, growth and long-term sustainability, and adapt accordingly.
- Monitor for signs of existing inefficiencies and events occurring independent of the City and the Department that suggest change may be necessary and adjust early. Manage potential opportunities or threats by using the Department's strengths to withstand its weaknesses.
- Effectively allocate more time and resources toward understanding what it is management and staff do not know in order to identify opportunities that enhance and direct additional focus on the Department's and Special Events risk oversight process. Being aware of the core business and how data/activities affect decision-making, and then developing skills to increase insight of the overall value to the special events operation will cause management/personnel to have a strong appreciation of key stakeholders expectations. With that said, training should be provided on:
 - The business at hand (Special Events) – business risks that should be known and not underestimated (financial impact from not knowing or underestimating risks).
 - Contract management.
 - Revenue recognition and other financial activities.
- Develop and incorporate appropriate questions relating to risk oversight in the Department's periodic self-evaluation of its performance effectiveness.
 - Include an assessment of the oversight within management's existing periodic self-assessment process so that the evaluation of the oversight is conducted at least as often as the overall assessment of the effectiveness of the Department's Special Events operations.
- Have those involved in drafting contracts and other binding documents submit them first a priori to Legal for approval.
- Add a statement on the City's Code of Ethics as to how to report misconducts where contracts, purchase orders and invoices are concerned, which can be minimized by greater use of the purchase order process.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 5 (*Continued*):

- Ensure all purchases, including food purchases, are made in accordance with City policies.
- Sales and Surtax rates are readily available on the Florida Department of Revenue's website and management is encouraged to use this resource.

Management Response

Management admits that not all transactions and prior written authorizations were obtained prior to the event; however, it should be noted that not all decisions can in fact be made prior to an event. Often decisions must be made on the spur of the moment and approvals given verbally.

Management did not have an issue with paying REH employees (\$200) to manage the artist concession as that is something, they are set up to do and do so on a weekly basis. Invoicing the City, the \$200 expense on the settlement statement from REH was an easy way to reimburse them for this cost. Based on the audit we took out this expense from the settlement statement and REH will now be invoicing us for the \$200 separately.

Management relied on the Partner employees to sell merchandise so if there was a discrepancy in the credit card fees between the two artists, they should have taken care of this.

Management understands and adheres to P-Card purchasing policies and received approval to purchase the pizza. This is the P-Card policy.

Corrective Action Plan

- Director and Assistant Directors will evaluate City Auditor's recommendations regarding the oversight process and determine the best course of action needed to provide appropriate oversight for special events by Dec. 31, 2019.
- Evaluate strengths, opportunities and threats for all special events, pre and post event and implement a structured process to monitor each by April 1, 2020.
- Establish training protocols to enhance the effectiveness of aspects of the special events business by April 1, 2020.
- Agreements and binding documents will be submitted to legal for their review and approval. This has been enacted as the HHC 2019 agreement was reviewed and approved by legal.

Target Completion Date

Target dates included in Corrective Action Plans

City Auditor's Comments on Management's Response(s)

Absent any agreement, this is an invalid charge. However, from an accounting standpoint, that is the process for booking any such expenditure. Management still expects the City to pay for

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 5 (*Continued*):

this expense not stipulated in any written agreement.

Accepting documentation from any source as accurate and reliable, including third-party entity, "*... relied on the Partner ... so if there was a discrepancy ... they should have taken care of this*" should not be interpreted as performing necessary oversight (review and approval) responsibilities and should not be deemed an acceptable business practice.

Management's statement "*not all decisions can be made in advance ... often decisions must be made on the spur of the moment. . .*" is not commensurate with good business practice. Proper planning will obviate the need for any spur of the moment decisions which can lead to unanticipated results and errors long term. Furthermore, all expenses expected to be paid by the City should have been considered and incorporated into the contract or addendum.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 6

Non-compliance with Established City Ordinances and City Policies and Procedures

During the audit, City Auditor noted instances of management's non-compliance with established City policies and procedures, and City Ordinances, including those reflected in the report:

1. City Council Policy 2-21, "*Only after the item is passed as part of the approved budget is the item considered to be funded*". Neither the contract nor the corresponding addendum was submitted to Council for approval prior to being executed, or subsequently submitted for ratification and confirmation by Council prior to the event start date.
2. City Purchasing manual, "*Any change in a contract price, scope of work, etc. following the award of a contract shall be in writing, approved by the City Council, and executed with the same formalities as a contract. . . any amount, including change orders, greater than \$50,000 must go through the proper channels, including City Finance Budget Office*".
3. Article III-Special Events, Division 2, Sec. 22.82 of the City Code of Ordinances, "*A person seeking any level of City co-sponsorship of a special event shall file an application with the City Manager . . .*". The corresponding co-sponsored event application was filed by Parks and Recreation Special Events and not by the co-sponsor.
4. Article III-Special Events, Division 2, Sec. 22.82(4) of the City Code of Ordinances, "*. . . full and accurate post event report [must be obtained from the co-sponsorship applicant] within 30 days after the event*". As noted in Finding-1, above, management did not request or receive reimbursement from REH '*in the spirit of things*'.
5. Purchasing card transactions, "*P-cards are not to be used for food purchases, unless prior written approval is obtained from the City Manager or his designee*." As noted in Finding-5, above, management submitted a "cash register" receipt as support for a food purchase dated 23 days after the June 2 event and used the email authorization specific to that event as approval.

Recommendation

City Auditor suggests management effect the following recommendations:

1. Reiterate the significance of adherence to established City Code of Ordinances and City policies and procedures by all employees.
 - a. This can be accomplished through periodic staff meetings, required reviews and acknowledgement of expected compliance through PowerDMS (the City's online policy and training compliance mechanism), and new employee orientation (employee handbooks are provided for review and signature and date acknowledgment of receipt).
2. Augment existing written SOPs for Special Events and related program accounts to ensure compliance by employees, agents or independent

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 6 (*Continued*):

contractors when managing any aspect of the Department's Fund 181 and other related program accounts. This should also apply to renewals of existing vendor contracts.

- a. Contracts should be approved based on the sufficiency of provided information.
- b. SOPs should reflect clearly defined procedures and be distributed to all employees for signature acknowledgement, reference purposes and to enhance customer service. See Recommendation to Finding #1, above, and Appendix – A, “*Solicit Legal Review and Input*”, below, for more information.
3. Reiterate Finding-5’s recommendations of ensuring written authorizations are obtained before spending funds and justly used for the intended purchase(s) in accordance with City policies.

Management Response

Management does not agree with the conclusions of this finding as none of the examples mentioned were in fact ignored nor violated.

1. City Council Policy 2-21 deals with budgeted funds, not special event agreements. Parks and Recreation did submit an agenda item for approval to spend \$100,000 as a performance guarantee for the concert which was approved by the council on 4/17/18.
2. City Purchasing Manual requires that any item greater than \$50,000 go through proper channels, including City Finance Budget Office. This was in fact done through the agenda item approved by budget, purchasing, and finance for the expenditure of \$100,000 as a performance guarantee approved by the council on 4/17/18.
3. Article III – Special Events, Division 2, Sec. 22.82 of the City Code of Ordinances deals with co-sponsorship and co-sponsorship events. The application did not reference co-sponsorship as this was a special event partnership agreement and not a co-sponsored event.
4. Article III – Special Events, Division 2, Sec. 22.82 of the City Code of Ordinances deal with co-sponsorship and co-sponsorship events. Since this was not a co-sponsored event but rather a partnership agreement between the City and REH management did not request a reimbursement from REH.
5. P-card use was in fact approved through email authorization for the food at the event even though the bill was paid 23 days after the event.

Corrective Action Plan

- Management will continue to educate and provide information to all staff members relative to adherence to established City Code of Ordinances and City Policies and procedures through staff meetings and training sessions which are held on a monthly basis.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 6 (*Continued*):

- Management will review, update, and develop SOP's for all Special Event operations including contract sufficiency and have employees acknowledge receiving and understanding all special event SOP's no later than December 31, 2019.

Target Completion Date

Target dates included in Corrective Action plans.

City Auditor's Comments on Management's Response(s)

1. City Council Policies are noted on the City Council's webpage under "Documents and Meeting Information", with a note of "revisions adopted 08-14-2018" thereon. The second paragraph of City Council **Policy 2-21, "Special Events Fee"**, denotes ". . . There shall be an annual review of City sponsored/co-sponsored events during the budget process. An agenda item confirming co-sponsorship and waiver of fees for those to be submitted in the budget will be brought for City Council acceptance in March of each calendar year. All items accepted by the Council are then to be included in the appropriate department's budget. Only after the item is passed as part of the approved budget is the item considered to be funded."

Parks and Recreation submitted the agenda item (ID#18-4575) to City Council on May 17, 2018 versus 4/17/18, as management indicated, for approval to spend only \$100,000 conveyed as the City's only portion of the total \$300,000 performance guarantee responsibility. This was presented under the appearance of a co-sponsorship agreement/relationship ("City is partnering with REH and AEG in bringing the . . . tour to Clearwater on June 2, 2018"). Council approved said agenda item on May 17, 2018. See Finding-1, above.

In addition, management executed the special event agreement with the co-sponsor partner on April 23, 2018, without City Council's knowledge and 24-days prior to receiving approval from City Council for said \$100,000 performance guarantee. The [special event] agreement clearly outlined the responsibilities of each party, and the addendum entered into after the fact, and also without Council's knowledge or consent, was modified via penciled-in mark-ups as Special Events' management did not want ". . . the Partner to lose due to [manager's] error or not do the show". See Finding-1, above.

2. The \$100,000 was presented to City Council on May 17, 2018 versus April 17th. However, the noted violation of the Purchasing Manual has nothing to do with that \$100,000. The violation relates to the additional \$200,000 performance guarantee inserted in the addendum, approved by Parks and Recreation's Deputy Director on REH's invoice dated June 2, 2018, and paid by the City along with other expenses of the Partner. See Finding-1, item 2.c.i., above. It is unclear at this time what was used as the supporting documentation for these additional expenditures.
3. Article III – Special Events, Divisions 1 and 2 addresses all special events activities. Division

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 6 (*Continued*):

1, entitled “Generally”, provides the definitions attributed to words or terms used in the context of special events. Accordingly, Sec. 22.72 of the City Code of Ordinances describes City co-sponsorship as “*a specifically identified level of support authorized by the City Commission intended to assist the primary event promoter with the production of an event. This support may range from the use of the City of Clearwater name and logo to cash contributions (outlay) and/or in-kind City support services. The specific level of co-sponsorship shall be clearly specified in the approval letter. . .*” City Auditor previously noted said Division of Article III under Audit’s “Scope and Methodology” section located on page 4 of the Audit Report. In addition, Parks and Recreation’s management is fully-aware of said Division as it relates entirely to Special Events.

Article III – Special Events, Division 2, Sec. 22.82 of the City Code of Ordinances, and more specifically Sec. 22.82(1)(a) and (b), deal with special event applications and not special event “partnership” applications as indicated by management. A co-sponsorship is a joint effort between parties through a legally-binding document to share a mutual interest in a subject matter. A partnership is a ‘two-way relationship’ and has that feeling about it: they give the parties the ‘feeling’ of getting the most from the relationship, with both knowing each has a role to play and a job to do to make the partnership work. Hence, a co-sponsorship and a partnership are one in the same: it is a personal choice of word usage (they can be used interchangeably) with the end result being the existence of a legal and binding document with clearly stated expectations of all parties to the agreement. The ‘co-sponsorship/special events’ partnership document between the City/Parks and Recreation Special Events Program and REH clearly outlined the mutual interests and responsibilities of the City and the Partner/REH before management’s after-the-fact penciled-in edits.

Furthermore, and pursuant to Section 7 of the April 23, 2018 Special Event Agreement, “Relationship of the Parties”: “*This Agreement does not create a partnership or joint venture of the Parties nor does it make either Party the agent or representative of the other. Neither Party has the authority to bind the other party or to incur any liability on behalf of the other party, nor to direct employees or volunteers of the other party.*”

Pursuant to Section 4(a) of the April 23, 2018 Special Event Agreement, “Additional Comments”, “*It is understood that Partner (REH) is the owner/producer/presenting sponsor of the Event. . .*”

4. Same as “3”, above. In addition, Parks and Recreation’s management opting to not request reimbursement from the Partner for expenses paid by the City for City-services provided at the event in accordance with the April 23, 2018 Special Event Agreement and other event expenses specifically identified as the Partner’s expenses in the agreement was its decision to operate outside the agreement and City policies.

Pursuant to Section 2(a) of the April 23, 2018 Special Event Agreement, “Partner Responsibilities”, “*. . . Partner shall be responsible for costs at settlement.*”

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 6 (*Continued*):

Pursuant to Section ‘D’ of the corresponding Addendum, “*. . . partner will cover the cost . . . through settlement.*”

Pursuant to Section ‘F’ of said Addendum, “*. . . Partner will cover these expenses and add it as part of the post event settlement.*”

“Does” versus “Professes to Do” determines compliance or noncompliance with laws, rules and regulations, and provisions of contract/agreements. It should be conveyed that one cannot simply and arbitrarily choose what ‘not’ to do to fit one’s intention, especially when the choice is not in one’s purview of authority nor in the best interest of the City. Stating “*since this was not a co-sponsored event but rather a partnership agreement, . . . management did not request a reimbursement. . .*” warrants further consideration. In addition, the Special Events manager noted during the audit that reimbursement was not requested of the Partner “*in the spirit of things*”. See Finding-1, above.

5. P-Card food purchase approval. The former Deputy City Manager approved, via a June 1, 2018 email, the “indirect” purchase of food/tour catering needs (to be effected via reimbursement) for the June 2, 2018 ZZ-Top/Fogerty concert. Parks and Recreation management declared the authorization included food for event staff and volunteers who assisted during the event. A “cash register” receipt dated June 25, 2018, 23 days after the event, was submitted to Audit as support for the food/pizza purchase along with said email authorization. See Finding-5, above.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 7

Lack of Proper Segregation of Duties

One of the basic elements of internal control is segregation of duties, which restricts and isolates any incompatible functions that are the responsibility of one employee. This ensures no one person controls all phases of an operation, mitigates the possibility of errors, irregularities, and loss of information and assets, and improves internal controls over other assets.

During the audit, noted instances where the Special Events manager exercised complete autonomy of managing all aspects of special events without receiving any oversight from Parks and Recreation's Assistant Director, Deputy Director or Director, or without City Council's prior written consent. As a result, incompatible functions were performed, some of which included creating and approving changes to contracts and associated addendum; having complete administrative rights within the E-Tix system to all ticket-related activities, including, but not limited to, 'build' ticket prices and make changes to ticket structures and prices; approve some vendor invoices, and verbally acknowledge the accuracy and validity of other vendor/co-sponsor's invoices for payments without properly reviewing and affirming their accuracy and validity.

Recommendation

City Auditor recommends management perform the following activities:

- Establish or realign authority and responsibility limits commensurate with each individual's level of authority to mitigate errors and improprieties, particularly in the absence of control activities (appropriate oversight and segregation of duties). Authorizations should be periodically reevaluated to ensure they remain current in light of changes in status, promotions, reassessments and terminations.
- Establish proper segregation of duties/divide responsibilities and regularly rotate responsibilities among personnel to ensure that single individuals do not have the responsibility or authority for all steps in the special events' process. This will also assist in cross-checking the work of each function, which increases the chance of detecting and reducing the opportunity for concealment without collusion.
- Periodically perform analyses of segregation of duties as changes in the operation's processes are made. This is more warranted in smaller operating units within large departments.

Management Response

The Special Events Manager is a SAMP 4 employee with the responsibility of overseeing the entire operations of the Special Event Division as well as the Athletic Division. Various duties are in fact assigned to employees that he is responsible for, and thus, there is in fact a segregation of duties within the division. However, he consults with his direct report the Assistant Director and the Deputy Director and Director when needed for certain approvals and direction.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 7 (*Continued*):

Corrective Action Plan

- Management will develop a clear division of responsibility and authority including appropriate oversight for all employees by August 30, 2019 and re-evaluate authority levels on October 1st of each year.
- Management will rotate duties and responsibilities according to position titles in order to cross train employees and make certain that no one employee has authority for all special event functions on October 1st of each year.
- Management will perform analysis and study of segregation of duties on October 1st of each year.

Target Completion Date

Target dates included in Corrective Action plans.

City Auditor's Comments on Management's Response(s)

A fundamental element of internal control is the segregation of certain key duties. The basic idea underlying segregation of duties is that no employee or group should be in a position both to commit and conceal errors or irregularities in the normal course of their duties. Adequate segregation of duties is an important consideration when determining the effectiveness of control activities in achieving the internal control objectives. When no one performs a duty, oversight included, it indicates a weakness in controls.

In general, the principal incompatible duties to be segregated are (1) custody of assets; (2) authorization or approval of related transactions affecting those assets; and (3) recording or reporting of related transactions.

Authorizing/making financial decisions that place the City in disadvantageous contract pricing positions such as (a) knowingly not adhering to policies nor exercising sound procurement practices; (b) authorizing payments of expenses of a separate and unrelated entity of the City (City to absorb); (c) not requesting reimbursements in accordance with a legally-binding document *'in the spirit of things'*; and (d) preparing or overseeing the preparation of analyses with known and unexplainable edits used to report on related transactions are not compatible functions and do not fall within the scope of any City employee, SAMP 4 or other. Such practices are further compounded when the appropriate levels of reviews and approvals do not exist, and controls are weak or not adhered to. When consultation with the appropriate levels of management/authority is effected and authorization is obtained, authorization should be in writing and obtained prior to expending City resources.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 8

Inadequate Safeguarding of City funds and Other Receipts for Deposit

During the audit, Parks and Recreation's Special Events manager noted the following:

- He and a recreation supervisor are authorized to receive monies from the armored truck service company used to drop off and pick up funds to and from its designated facility. In their absence, all other full-time Special Events supervisor are authorized to accept these deliveries and place in the safe.
- Monies received from or deposited using the armored services are required to be reported on the armored services sequentially-numbered delivery/deposit receipt and signed-off by both staff and the driver, with a copy placed in the safe at said facility along with the sealed money bag, if [change/float] funds were delivered.
 - No cameras are installed at the facility.
 - Every Special Events' staff at that location has the combination to the safe to accommodate [overnight/extended] storage of monies collected at the various Rec Centers by staff.
- Cash Bags are retrieved from the safe in the presence of two or three Special Events' personnel for verification/recounting (manual and money counting machine).
 - During manual verifications, each counter tallies his/her money *at the same time* other counts are being performed versus using a separate individual(s) to serve as an independent watch over each individual actual count. A third person or the money machine is used in the event both counts do not yield the same result.
- As noted in Finding - 4, above, unsold tickets from "Ticket Raids" and "Pre-printed"/advance ticketing for ticket booths are either destroyed/discard or missing from the files versus maintained and rendered "Unsold"/"Voided" for review and used to facilitate proper reconciliation or audit purposes.
 - Under the current practice, any person can have control of the ticketing process from beginning to end: generating "COMP" or "For Sale" tickets within any category (General Admissions and/or VIP) to reconciling and reporting unsold Ticket Raid and other unnecessary pre-printed tickets with little to no oversight by responsible levels of management.

Recommendation

City Auditor recommends the following:

- Discontinue giving access/combination to the safe to numerous employees and invest in a drop slot type safe.
 - This type of safe can be used to store monies received from various P&R's facilities for processing/deposit the next business day, and comes in different styles: front loading (with or without recessed deposit doors); top slot; and triple drop. Front

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 8 (*Continued*):

loading with recessed deposit doors drop safes are engineered to make ‘fishing attacks’ relatively impossible (using a fishing line with a hook to attempt to pull out the cash through the top door), with the back of the drop door having jagged teeth (anti-fish baffles) to prevent paperwork or cash from being removed. This will reduce the number of personnel with access to the combination to and other funds in the safe, mitigate the risk of loss of funds, and increase the City’s earnings power.

- Install working security cameras in all areas monies are handled. Security cameras:
 - Prevent, deter or detect loss from theft and reduce the negative financial impact theft has on the operation.
 - Video surveillance cameras deter theft and capture visual evidence of any offender. If a security camera is seen or known to exist, the potential offender will be much less inclined to proceed with the act. However, if theft still occurs, the footage will be available for use in taking immediate action in identifying the offender and conducting the appropriate corrective actions up to termination.
 - Develop and implement a citywide policy and procedures on theft/misappropriation of City assets, including money, and provide ongoing training to staff accordingly.
 - Provide constant surveillance (24/7), even after working hours.
 - Authorities would be notified if an activity is detected.
- Utilize a separate individual(s) to serve as the independent watch over actual individual counts. This will provide added assurance as to the accuracy and completeness of each count. Recounts are conducted to determine accuracy of the first round of manual counts; however, if the initial count was not monitored, then the recount will most likely yield the result of the first unmonitored count.

Management Response

There was in fact no reconciliation of preprinted tickets and comp tickets for this event; however, that is not the normal practice for all events.

Under the current practice only the Special Events Manager, a Recreation Supervisor and Recreation Specialist can actually control the ticketing process from beginning to end.

Citywide policy regarding theft/misappropriations of city assets should be developed by City Auditor or Finance Department rather than Parks and Recreation.

Corrective Action Plan

- Management will purchase and install a new safe for special events as recommended by City Auditor as funds are available and as soon as feasible but no later than December 31, 2019.

City of Clearwater Parks & Recreation Department – Special Events Audit

Finding – 8 (*Continued*):

- Management will purchase and install security cameras in counting rooms at the Armory and in the counting trailer at Coachman Park as recommended by the City Auditor as funds are available and as soon as feasible, but no later than December 31, 2019. Will investigate the cost and feasibility of installing cameras at all locations where monies are handled; however, due to the complexity of the department and many locations where monies are collected, it may not be possible to implement until a new budget cycle is approved October 1, 2020.
- Management will provide training for staff within 3 months after theft/misappropriations City Policy is developed and adopted by the City.

Target Completion Date

Target dates included in Corrective Action plans.

City Auditor's Comments on Management's Response(s)

The City Auditor's Office (Office), prior or current administration, does not establish nor write departmental policies nor can Audit implement safeguards to reduce risks. Professional standards preclude any Audit administration from performing these duties as they may impair, or give the appearance of impairment, the independence of the internal audit activity or the individual objectivity of the internal auditor. Appropriately, these roles and responsibilities lie within the scope of each department's management responsibilities: craft departmental policies to fit the specifics of its operations and submit to the City's Policy Committee for review and City Manager for final approval. The City Auditor's Office recommends compliance with laws, rules and regulations (known or could be identified), established City Council and Citywide policies and procedures, best practices, and reports on compliance or noncompliance to those in governance and other stakeholders. The Office also examines departmental practices and written SOPs, if developed, to ensure they are in alignment with the above stated requirements and rules.

Internal control comprises the plans, methods, policies and procedures used to fulfill the mission, strategic plan, goals and objectives of the entity. Each departmental management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, rules, regulations, contracts, and policies and procedures. The internal control environment set by management establishes the procedures that support the assessment of risk.

City of Clearwater Parks & Recreation Department – Special Events Audit

Parks and Recreation Management Overall Responses to Audit Findings

Parks and Recreation Management welcomes the audit performed by the City Auditor of the ZZ Tops/Fogarty Concert held on June 2, 2018 in partnership with Ruth Eckerd Hall and AEG. The audit has revealed several areas of concern and opportunities to make improvements to our current policies and procedures. We appreciate the work of the City Auditor in this regard and look forward to implementing the recommendations found in the report through the "Corrective Action Plans" submitted by Parks and Recreation Management.

It should be noted at the onset that for the past 19 years Management and, in particular, the Special Events Section have, in fact, followed all existing City guidelines, processes, policies and procedures established by the [prior] City Auditor's Office as well as the Finance Department as they relate to events and the 181 code. The 181 code was established as seed money to offer concerts and entertainment to the citizens and visitors of Clearwater. Revenue generated from concerts funded by 181 code was used to cover expenses of the various concerts as well as to offer free concerts, festivals and events to the public. Management has never been tasked nor directed to make a profit on each event but rather to have a balance of approximately \$200,000 available at the end of each fiscal year as seed money for the following year. Management was successful at doing this for 19 years but in FY 2017/18 and continuing in FY 2018/19 the 181-code fell into a deficit position. This was due primarily to poor attendance at two major events: HHC 2018 and Bay to Beach.

Management is eager to comply with any new direction and opportunities to improve policies and procedures as it relates to special events and the 181 code.

Management has already implemented several of the audit recommendations which will be used in the upcoming HHC 2019 concert. In addition, Management has made several significant changes which will bolster and support the department and special events section as we look to the future. Some of them are as follows:

1. Structure future special events to limit the risk exposure and loss for the city. This may be done by having partners share more risk as well as rewards, using contract vendors for some services, renting the park out with no city risk, etc.
2. Re-organized the department to give direct oversight of the Special Events Section to the Assistant Director of Parks and Recreation.
3. Added a controller position to the department who will assist in providing internal controls, and oversight to special events, as well as all other department sites that generate revenue. Together with our Sr. Accountant the Department is stronger and will provide improved oversight and compliance to all financial transactions in the department.
4. Ticket processing through our vendor, E-TIX, will be revised to be more user friendly and divide revenue into specific events rather than time period. Also, we are negotiating with E-TIX to send their own personnel to large events to oversee ticketing platforms on the day of event and provide a post event settlement prior to their departure.

City of Clearwater Parks & Recreation Department – Special Events Audit

Parks and Recreation Management Overall Responses to Audit Findings

(Continued)

5. Stopped the practice of preprinting tickets to handle large crowds and will only print a ticket after payment is received.
6. The new financial accounting system (Munis) will track both revenue and expenditures for each separate event, thus allowing management to provide updated and accurate data for audit purposes. Pursuing a way to tie personnel costs to the Munis system so that a complete picture can be found in one place.
7. A process has been established whereby all contracts and agreements between the city and partners are first drafted by event staff and partner, reviewed, and approved by Assistant Director and Controller and then, sent to Director or Deputy Director for approval, who will then send to legal for their final review and approval. Following legal approval, negotiations with partner will occur, and if agreement can be reached then and only then will it be taken to City Council for final approval.
8. Comp tickets will be carefully distributed and accounted for but not reported as cash sales.
9. Adopted a standard reporting framework for settlement and reconciliation sheets as recommended by the City Auditor.
10. Contracting out merchandising and possibly beverage sales to a third-party vendor rather than using city staff.
11. All food vendors must submit payment for rental spaces prior to event; on preapproved template, based on various factors including event hours, projected crowd size, size of space, etc.
12. Collect backup information for all expenses and revenue as they occur so that reconciliation can be made in a timely manner once the event is completed.
13. Collect and pay all invoices within 30 days and provide a final settlement within 60 days of the event.
14. Assign an Accountant or City Senior Accountant to attend each event to act as Comptroller instead of recreation staff that has limited training.

Regarding statement #14, above, and the fact that this audit has brought to light many additional policy and procedures that need to be followed regarding cash handling, reconciliation, oversight etc., management recommends that an additional Accountant position be authorized to work in the Specials Events Section. This position will strengthen the work unit and provide the type of trained personnel needed to support the Special Events section. This unit is made up of some very capable, dedicated employees but their expertise is in parks and recreation not accounting, finance nor auditing.

The Auditor's direction was to provide a response to each finding within the Audit Report,

City of Clearwater Parks & Recreation Department – Special Events Audit

Parks and Recreation Management Overall Responses to Audit Findings

(Continued)

provide a corrective action plan and include specific target completion dates for each corrective action. Management has followed that direction and provided the requested information for all eight (8) of the findings of this report.

Management would also like to respond to the executive summary and background information.

Executive Summary:

Paragraph 1: One of the objectives of the Parks and Recreation Department is to provide festivals, activities and special events. The Parks and Recreation department has many other objectives.

Paragraph 6: It should be noted that the statements regarding “internal controls as ineffective and inadequate and no sound oversight controls exist” are a reflection not only of current practices but also previous City Auditor Administration and Finance Department which established the current policies and procedures.

Paragraph 7: Management takes exception to using the phrase “absolute lack of oversight” as there is in fact oversight mainly from the special events manager and Assistant Director as well as help from other administrative staff. The Director is involved in the big picture decisions and management of the special events but not the day to day oversight. To managements knowledge and past practices there is only one expense that is being questioned without prior written approval, the purchase of pizza, which in fact was approved.

Background Information:

Page 2, Paragraph 2: The special events section (01804) has an operating budget of over one million dollars per year to support the special events ordinance, special events, ribbon cutting events, support sponsored and co-sponsored event etc. This operating budget is approved by the City Council each year. Separate to this, an agenda item is brought forward to the Council once a year for their approval to budget funds in separate departments, including Parks and Recreation, to support City-sponsored and co-sponsored events which total approximately \$600,000. It appears from the paragraph that Parks and Recreation spent over one million but only got approval for \$600,000 which is not correct. Parks and Recreation received the appropriate approval for all funds spent.

Page 5, Overall Conclusion: Management agrees that internal controls and control structure can and will be improved according to recommendations and corrective action plan.

Thanks for the opportunity to respond to this audit.

Art Kader
Deputy Director Parks & Recreation

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

The City Auditor kindly comments on Parks and Recreation's management overall responses as follows:

Paragraph 2:

P&R: ". . . for the past 19 years, management and, in particular, the Special Events Section have, in fact, followed all existing City guidelines, processes, policies and procedures established by the auditor division as well as the finance department . . .".

CAO: Internal control includes the plans, methods, policies and procedures used to fulfill the City's mission, strategic plan, goals and objectives. Each departmental management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, rules and regulations (known or could be identified), contracts, and policies and procedures. The internal control environment set by management establishes the procedures that support the assessment of risk.

Audit administration, prior or current administration, does not establish nor write policies for departments nor implement safeguards to reduce risks as these roles and responsibilities impair or appear to impair the independence of the internal audit activity or the individual objectivity of the internal auditor. Those functions lie within the scope of each department's management, including establishing safeguards and policies specific to its operations and submitting them to the City's Policy Committee for review and final approval from the City Manager. Overall, the City Auditor's Office (a) examines departmental practices/operations and written SOPs, if developed, to ensure alignment with established laws, rules and regulations, City Council and Citywide policies and procedures, contracts and best practices, (b) provides value-added recommendations and (c) reports on compliance or noncompliance.

As communicated, existing written City Council and Citywide policies and procedures, guidelines and processes, as they relate to special events, cash handling and proper accounting for transactions were not adhered to.

Paragraph 2:

P&R: "Management has never been tasked nor directed to make a profit. . . but rather to have a balance of approximately \$200,000 available at the end of each year as seed money. . . Management was successful at doing this for 19 years but. . . the 181-code fell into a deficit position. . . due primarily to poor attendance at two major events. . ."

CAO: A lack of written directive to make a profit should not be the basis for not doing so and should not preclude successful events from occurring when guidelines have been established and controls are in place to allow for profit recognition. Any recognized profit would be used to reimburse the General Fund for the costs of subsidized events and to augment other programs and operations.

Parks and Recreation's management deemed poor attendance as the driver to the deficit experienced in two events. That may be a contributing factor; however, absent supporting

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

(Continued)

documentation denoting proper planning was performed, including appropriate break-even analyses and sustaining the \$200,000 seed money from only net receipts collected at annual events prior to fiscal year 2018, makes it difficult to accurately draw said conclusion. Break-even supporting documents provided to Audit for this concert represented a proposal submitted by one of the Partners based on maximum attendance and did not include many of the expenses actually and ‘intended to be’ incurred by the City. Management stated no other support existed. that was all they had. Analysis provided for a separate event also did not factor in all necessary elements of a break-even analysis.

Paragraph 4, #s 12 & 13:

P&R: (#12) “Collect backup information for all. . .” and (#13)”Collect and pay all invoices within 30 days. . .”.

CAO: Supporting documentation and analyses should be maintained, be credible and reviewed and approved in writing (signed-off and dated) by the appropriate levels of authority. Compliance with contracts, City Council and City policies and procedures are paramount to the effectiveness of the Special Events program. If not, current challenges observed will remain. Inaccurate, incomplete, lost or destroyed documentation cannot be used to support any payment nor assertion.

Paragraph 4, #s 4 & 14:

P&R: (4) “. . . negotiating with E-TIX to send their own personnel to large events to oversee ticketing platforms on the day of event and provide a post event settlement prior to their departure” and (14) “Assign an Accountant or City Senior Accountant to attend each event and act as Comptroller instead of recreation staff that has limited training.”

CAO: The need to outsource any functions within these events and incur additional expenses (travel, lodging, meal and management fees) does not exist. Parks and Recreation already has capable and talented staff on its payroll. Understanding the business at hand, effectively training personnel and consistently performing the required oversight are key to its Special Events operation. Treat the cause to improve the condition.

Accounting functions are not performed in the field, but in the administrative office(s) instead. Assigning an accountant or City senior accountant [*from another department*] to attend and act as a Comptroller is an approach, but not the appropriate approach, neither is having an accounting degree. What is required are:

- implementing proper controls and complying with them, including separating incompatible duties, ensuring proper recording and accounting of all transactions, safeguarding assets, and performing necessary oversight.
- consistently applying proper, standard accounting principles.

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

(Continued)

- adhering to and applying existing written policies and procedures, including cash handling procedures.
- properly training and effectively using existing recreational staff who already handle money on a day-to-day basis to correctly account for all activities and facilitate reliable information.

Paragraph 5:

P&R: ". . . management recommends that an additional Accountant position be authorized to work in the Special Events Section. . . [to] strengthen the work unit and provide the type of trained personnel needed to support the Special Events section. . . made up of some very capable. . . employees but their expertise is in parks and recreation not accounting, finance nor auditing."

CAO: Increasing FTEs is an approach, but not necessarily the correct approach. Increasing FTEs without having the necessary best practice tools to assist employees in appropriately effecting their responsibilities will not yield a successful result since existing issues will be compounded. As previously noted, investing in training existing staff on the special events business at hand and consistently and effectively performing required oversight will ensure a successful Special Events operation.

Executive Summary, Paragraph 6:

P&R: "It should be noted that the statements regarding "internal controls as ineffective and inadequate and no sound oversight controls exist" are a reflection not only of current practices but also previous City Auditor division Finance Department which established the current policies and procedures."

CAO: As previously detailed, Audit administration, prior or current administration, does not establish nor write departmental policies, nor can Audit implement safeguards to reduce risks. In accordance with professional standards, if performed by any Audit administration, the independence of the internal audit activity or the individual objectivity of the internal auditor may be impaired or appear to be impaired. Appropriately, these roles and duties lie within the scope of each department's management responsibilities: craft departmental policies to fit the specifics of its operations and submit to the City's Policy Committee for review and City Manager for final approval. The City Auditor's Office examines departmental practices/operations and written SOPs, if developed, to ensure alignment with established laws, rules and regulations, City Council and Citywide policies and procedures, contracts and best practices; provides value-added recommendations; and reports on compliance or noncompliance to those in governance and other stakeholders.

The objectives of internal control pertaining to compliance include:

1. Transactions are properly recorded and accounted for to:

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

(Continued)

- a. Permit the preparation of reliable financial statements and external reports (as required/requested by Federal, State, local and other regulatory agencies).
 - b. Maintain accountability over assets (including cash and cash equivalents).
 - c. Demonstrate compliance with laws, regulations and other compliance requirements.
2. Transactions are executed in compliance with:
- a. Laws, regulations, organizational policies and the provisions of contracts and agreements that could have a direct and material effect on the organization.
 - b. Any other laws and regulations that are known or can be identified.
3. Funds, property and other assets are safeguarded against loss from unauthorized use or disposition.

Each departmental management is responsible for establishing and Maintaining effective internal control over compliance with the requirements of laws, rules, regulations, contracts, and policies and procedures to provide reasonable assurance that the objectives of the City will be achieved. The internal control environment set by management establishes the procedures that support the assessment of risk. Internal controls are assessed when determining the cause of unsatisfactory program performance.

As outlined by the Yellow Book standards issued by the U.S. Government Accountability Office Comptroller General of the United States, the effectiveness and results of a program or operation is based on the following:

- a. The current status or condition of program operations or progress in implementing legislative requirements.
- b. The extent to which legislative, regulatory or City's goals and objectives were/are achieved.
- c. The relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness.
- d. The relative cost-effectiveness of the program or activity.
- e. The results produced were the intended [*contractual*] results, or the results that were not consistent with the program's objectives were actually produced.
- f. Public resources distributed/used within the context of statutory parameters.
- g. Sound procurement practices followed.
- h. Performance measures concerning program effectiveness and results, or economy and efficiency were/are reliable, valid or relevant.

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

(Continued)

- i. Financial information related to the performance of the program was/is reliable, valid or relevant.
- j. Appropriate value obtained based on the cost or amount paid, or based on the amount of revenue received.
- k. Fees assessed cover costs.
- l. Program's unit costs: decrease it or increase its productivity.
- m. Budget proposals or budget request were/are reliable, valid or relevant to assist legislatures in the budget process.

Sound internal controls include, but are not limited to:

- a. The City's missions, goals, and objectives are achieved effectively and efficiently.
- b. City resources are used in compliance with laws, regulations, policies and procedures or other requirements.
- c. Management information, including performance measures, and public reports are complete, accurate, and consistent to support performance and decision making.
- d. The integrity of information from computerized systems is achieved.

Parks and Recreation's internal controls were deemed ineffective and inadequate due to the above-noted control objectives not being met, the lack of oversight provided by the appropriate level(s) of authority within the Department, and the performance results of the Special Events Program. Noncompliance with and circumventing existing controls and policies and procedures were evident. Little to no monitoring was conducted. Documents to support transactions could not be located, were not maintained nor requested and or received from third party sources. Those provided were either related to other events, or management and staff could not adequately describe the information prepared for internal use only nor those received from third party sources.

Executive Summary, Paragraph 7:

P&R: "Management takes exception to using the phrase "absolute lack of oversight" as there is in fact oversight mainly from the special events manager and Assistant Director as well as help from other administrative staff."

CAO: Parks and Recreation's internal controls were deemed ineffective and inadequate primarily due to the lack of oversight exhibited within the Special Events Program. Management and staff did not adhere to existing policies and procedures, and very little to no monitoring,

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

(Continued)

including written reviews and approvals of transactions, was conducted by the appropriate levels of authority within the Department. This resulted in noncompliance with and skirting existing controls and policies and procedures.

In prior discussions with management, the observations noted within each Finding in the Audit Report denote and were acknowledged by management as instances where there were “absolute lack of oversight”. In a recent discussion, Parks and Recreation’s management stated that the Assistant Director has been in the position of overseeing the Special Events operation only briefly (approximately one and a half to two years) and now notes in Paragraph 4 of management’s overall response that “*Management has already implemented several of the audit recommendations. . .*” (Para. 4, #2) [one of the] “. . . several significant changes made to bolster and support the department and special events section. . . [includes] “Re-organized the department to give direct oversight of the Special Events Section to the Assistant Director of Parks and Recreation”. If management’s assertions are accurate, then its statement “. . . there is in fact oversight mainly from the special events manager and Assistant Director” is contradictory.

Complete autonomy afforded to and exercised by the Special Events manager is not synonymous with oversight from the appropriate levels of authority. See Finding-7, above. Documentation presented during the audit as support for transactions did not indicate any oversight provided by the Assistant Director, and only one received for reimbursement (invoice #243 from the co-sponsor partner for \$237,510) denoted signatory approval from the Deputy Director. Approximately 86.6% or \$205,600 of that total invoice represented 76.5% of the approximate overall expense overpayment of \$268,600. See Finding-2, above.

Executive Summary, Paragraph 7:

P&R: “To management’s knowledge and past practices, there is only one expense that is being questioned without prior written approval, the purchase of pizza, which in fact was approved.”

CAO: Primarily all expenses are not *only* questioned but shown as inappropriately incurred. Parks and Recreation’s management incurred expenses ultra vires the co-sponsorship special events agreement and corresponding addendum executed without City Council’s knowledge and approval, absent any other fully-executed agreement(s) and under the pretext agenda that the City’s only portion of the Performance Guarantee (PG) would be \$100,000 of the total \$300,000 (PG) versus the entire \$300,000. See Findings-1 and 2, above.

With respect to the ‘pizza purchase’, the appropriate approval was obtained. However, submitting a “cash register” receipt dated 23 days after the event to Audit as support for that purchase along with the email authorization cannot be deemed a valid support for the June 2, 2018 event. P&R’s management noted “*the pizza was consumed on June 2, 2018, but the vendor provided the invoice [a cash register receipt] at a later date*”. To reiterate, cash register

City of Clearwater Parks & Recreation Department – Special Events Audit

City Auditor's Comments on Management Overall Responses

(Continued)

receipts are point of sale transactions printed at the very point the actual sale took place, and more so from fast food vendors. Fast food purchases do not undergo the typical invoicing/billing system and moreover after the meal is consumed. However, since the vendor is used regularly during these events, City Auditor recommends a purchase order be established for this vendor to control these procurements. See Finding-5, above.

Background Information, Paragraph 2, Page 2:

P&R: "It appears from the paragraph that Parks and Recreation spent over one million but only got approval for \$600,000 which is not correct."

CAO: That is not the appearance given from the paragraph/statement. "Allocated" is not synonymous with "expended". Please note the exact statement from said 'Background' section of the audit report:

"For fiscal year 2018, Special Events supported over 300 events (hosted: 297; sponsored: 40; and co-sponsored: 27), and approximately \$1.0M in program expenditures were allocated, of which approximately \$600,000 represented cash and in-kind services for anticipated special events and activities.

City of Clearwater Parks & Recreation Department – Special Events Audit

APPENDICES

	<u>Page</u>
Appendix – A: Solicit of Legal Review and Input	A-1
Appendix – B: Contracts Management	A-3
Appendix – C: Actual Event Receipts & Paid Expenses	A-5
Appendix – D: Event Expense Overpayment (<i>on Co-Sponsors' Responsibilities</i>)	A-8
Appendix – E: Event Results, <i>IFF</i> Managed in Accordance with Contract (<i>Due To/From</i>)	A-9
Appendix – F: POS (Point of Sale) Transactions' Recaps	A-12

City of Clearwater Parks & Recreation Department – Special Events Audit

Appendix – A

Solicit Legal Review and Input

Written reviews and approvals serve as objective assessments of the pros and cons of the provisions of each contract before obligating the City, prevent potential claims against the City and ensure compliance with all provisions of the contracts. Implementing and enforcing a citywide policy and procedures requiring authorized City employees and agents to obtain written Legal reviews and approvals of appropriateness prior to binding the City in any contractual arrangement will improve the internal control environment across the City.

In addition to standard terms and conditions, the policy should contain the following requirements/expectations:

- Solicitation of Legal Review and Input
- Comment Resolution
- Sign-Off
- Authority to Contract with a Vendor
- Subject Matter Approvals
- Legal Department Approval
- Timeframe for Review and Approval Process
- Post-Execution Modifications to Vendor Contract Terms
- Roles & Responsibilities
- Procedures

A caveat, noted below as a sample, should be considered for inclusion as a ‘note’ against any possible misunderstanding of what constitutes a vendor.

“Note: A vendor may infer that a contract exists based solely on an oral statement or a combination of oral statements and conduct that can be used as evidence to support a claim that an oral statement was intended to be binding on the City of Clearwater. City employees must be extremely careful in their discussions with any outside parties. They should document any conversation that covers what might be considered key business terms of a transaction. Oral contracts should be avoided, as they are not a best business practice.”

The procedures for soliciting written Legal reviews and approvals should include the following:

1. Submit all Special Events draft contracts, agreements, letters of understanding, commitments to City Legal for prior written reviews and approvals.
2. Prepare a coversheet that accompanies all contracts and contains the following: contract name; third party(ies); contract number, if applicable; contract period/term; contract amount; purpose; and special instructions or concerns. If appropriate under the circumstances, drafts of proposed contracts can be submitted in hardcopy or via email, along with the initial notice.

Inform Legal of the due date by which comments are requested for presenting to City Council or when the document must be signed, considering all required reviews by all parties in the review process and to the contract. Due dates must be reasonable, and

City of Clearwater Parks & Recreation Department – Special Events Audit

Appendix – A (*Continued*)

sufficient advance notice must be given to City Legal to allow for proper reviews and avoid unreasonable deadlines.

3. Consult with Legal to resolve any differences of opinion concerning the comments or incorporate comments into draft documents following the receipt of written review remarks and guidance from City Legal. Even if the notes are incorporated verbatim, City Legal should be contacted to ensure there is a common understanding concerning the concepts behind the comments. The business issues are the responsibility of the Parks and Recreation Department/Special Events operations.
4. Keep City Legal apprised on proposed changes/counter-offers to contracts so that approaches beneficial to the City can be reevaluated and managed accordingly.
 - a. Document the justification(s) for proposed changes, including vendor correspondence and special terms and conditions.
 - b. Contact the vendor/performer or agent directly or ask for assistance from City Legal in resolving any differences of opinion concerning review comments received from the vendor.
 - c. Incorporate the comments into any draft documents and route back through the proper approvals before resubmitting to the vendor/performer.
5. Following resolution and incorporation of the review comments from Legal into the documents, resubmit a final draft to Legal. If deemed appropriate by Legal, then Legal will indicate such and the responsible individual who reviewed the document and provided input for the contract will email the “clean” draft indicating it has been reviewed, found acceptable and may be presented to City Council for consent along with the contract cover sheet with Legal’s signature(s) and date indicating ‘approved for appropriateness’.
6. If City Council approves the “clean” draft, then the document can be executed by the Department Director. Legal will forward the contract consent and the signed contract cover sheet with City Council’s consent approval and date indicating ‘approved’ to City Finance Director for review and processing.
7. Once written legal reviews and approvals are obtained, carefully review them to understand and identify potential challenges, if any, that could have surfaced if not presented for legal review. This will aid in significantly reducing the time spent by City Legal and other key management when performing future reviews and approvals.

City of Clearwater Parks & Recreation Department – Special Events Audit

Appendix – B

Contract Management Process

Contract management involves the steps necessary to request and approve and administer contracts, agreements, commitments, and letters of understanding. All involved departments, directly or indirectly, should continuously update and monitor the processes to ensure they accurately reflect Special Events operations and City Council, City Ordinances, City Policies and Procedures, and generally accepted accounting principles (GAAP).

1. Establish a Special Events' existing contracts' management process and modify Special Events' operations strategies. This will significantly reduce the time when performing additional required written review and approval functions.
 - a. Implement and use a contract approval request package that contains an approval request form and drafts of the "Request to Consent" (by City Council) and the proposed contract from multiple sources to route to the Parks and Recreation's Director and or Deputy Director for the initial signature and date reviews.
 - i. This ensures all special events-related documents agree with each other ensuring accuracy, validity, and completeness of data maintenance and payment processing; and detail the services to be provided, term, contract amount, liability, and necessary confidentiality considerations before routing the reviewed package to City Legal for written reviews/comments and approval for appropriateness.
 - b. Review contracts of all special events-related activities to ensure accurate, valid, and complete data maintenance and payment processing.
 - i. Signify reviews and approvals were performed via printed names and signatures of each level of personnel in the approval process and noting the dates each authorized person performed his/her function.
 - c. Present the "Request to Consent", a copy of the draft contract from and reviewed by City Legal and its [written] sign-off indicating approval of appropriateness to City Council for their review and approval.
 - d. Return Council's approval, if applicable, the approved contract approval request package and Legal's approval of appropriateness to City Legal for generating a 'clean' copy. Said 'clean' copy should then be forwarded by Legal to Parks and Recreation's Director for execution and to City Finance for review and processing.
 - e. Forward copies of the final fully-executed agreement to City Finance for content review (accuracy, validity, and completeness) and uploading into the contracts module within Munis.
 - f. Establish appropriate measures and procedures to ensure performance of and adherence with all provisions of the contracts. Enforce compliance:
 - i. Reiterate the significance of an effective and accurate management of the Special Events Program during periodic staff meetings.

City of Clearwater Parks & Recreation Department – Special Events Audit

Appendix – B (*Continued*)

- ii. Draft and present excerpts of or annual SOPs to each Special Events employee and Administrative support personnel/management for signing/dating and retaining in the department.
 - iii. Evaluate staff/management compliance through annual performance reviews.
 - g. Ensure only authorized personnel initiate contracts and input/update vendor information into the system.
2. Implement a reliable, adequate and irrefutable reporting system to track results of each special event and facilitate accurate and complete recording and reconciliation of the corresponding activities in accordance with generally accepted accounting principles (GAAP) and 'Best Practice'.
- a. Perform pre- and post-evaluations of the total value (cost, quality and delivery, and receipts) of each event in accordance with the fully-executed contract and City Council approved agenda to determine the City's return on its investment or contribution to the event(s), including co-sponsor and vendor performances.
3. Provide educational and training programs relating to contract management and compliance to all personnel involved in the special events process.